

2/18/77 [2]

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Memo w/att.	From The President to Sen. Henry Jackson (30 pp. 2/18/77 <i>open 1/31/07</i> Re: Jackson memo on SALT	2/18/77	A

FILE LOCATION

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copy to
Frank

hard-copy
today

THE WHITE HOUSE
WASHINGTON

February 18, 1977

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Telephone Calls to Selected
Senators.

cc: The Vice President
Hamilton Jordan

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

February 17, 1977

TELEPHONE CALLS TO SELECTED SENATORS
Friday, February 18, 1977
10:45 a.m. (15 minutes)
The Oval Office

From: Frank Moore *FM*

I. PURPOSE

To urge their support of Paul Warnke's nominations.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: The following Senators fall into one of three categories: leaning yes, undecided, leaning no.

Bennett Johnston ✓

Leaning yes. *ok - not enthusiastic*

Closed 38 schools today
John Glenn ✓ *Will help*

Leaning yes.

Jack Schmitt ✓

Undecided. Very conversant with nuclear disarmament issues. Could be approached on intellectual plane.

*Open mind - Will give
- true fit of doubt*

Herman Talmadge

Undecided. Inclined to vote no.

Milton Young ✓

Undecided. Ranking Minority Member on Appropriations and Defense Appropriations Subcommittee. May follow McClellan's lead; however, might be swayed by call from the President.

*Little problem
all Probability will vote yes -*

Jim Eastland ✓

Undecided.

Will do
Pat Moynihan ✓

Almost certainly "no". One of his staffers wrote the unsigned memo against Warnke.

*Can be confident - Will
call if problem arises*

Orrin Hatch

Leaning no, but certainly not lost. Freshman Republican conservative. Intellectual approach on arms control issues.

Probably no.

B. Participants: Frank Moore

C. Press Plan: None

III. TALKING POINTS

1. All have expressed concern with Warnke's past statements on arms control and disarmament policy. This is not the critical issue. Warnke will be the AGENT of the President who has full confidence in Warnke to advocate the President's policy on these matters.
2. The nomination itself is not in jeopardy. What is in jeopardy is the effectiveness of Warnke, once confirmed, in negotiating with the Soviets for the President. A substantial number of votes against Warnke could irreparably cripple him in the eyes of the Soviets and erode his ability to do the President's bidding at the negotiating table.
3. The treaty Warnke negotiates, rather than any past statements he may have made, is the crucial matter. The Senate has the right, under the Constitution, to reject the treaty resulting from Warnke's efforts.

THE WHITE HOUSE
WASHINGTON

February 16, 1977

Hamilton Jordan

The attached is forwarded to
you for your information.

Rick Hutcheson

Re: Congressman Harrington

THE PRESIDENT HAS SEEN.

FEB 15 1977

~~CONFIDENTIAL~~

*Good news
J*

TO: THE PRESIDENT
FROM: HAMILTON JORDAN HJ
RE: CONGRESSMAN HARRINGTON

You should know that Congressman Harrington has had second thoughts about the decision that he had tentatively made and plans to stay where he is for the time being.

It probably is better as I had encountered - in my checking with the Governor and some of the other people affected - strong support for two other candidates who are well qualified.

He appreciates your time and the consideration and believe that he will be our friend because of the time you spent with he and his son.

cc: Frank Moore

DETERMINED TO BE AN ADMINISTRATIVE
MARKING BY Jmj DATE 6/19/89

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~~SECRET~~
THE WHITE HOUSE
WASHINGTON

The attached is forwarded to
you for your information.

The Vice President

Midge Costanza

Stu Eizenstat

Hamilton Jordan

Bob Lipshutz

Frank Moore

Jody Powell

Jack Watson

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

February 18, 1977

Jim Schlesinger
Jack Watson*

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

*For Secretary Andrus

cc: Stu Eizenstat

Re: Energy Reorganization

2-17-77

To Cecil Andrus
Jim Schlesinger

Your letter of 2/6 describes
an adequate division of respons-
ibility, and indicates a
remarkable degree of cooperation,
which I appreciate.

Please begin preparation
of requisite legislation and
a message to Congress. If
we detect any problems or
opportunities for improvement
we can share them.

Also evolve program of
presentation to Key Congressional
leaders. I'm available to help.

cc: Stu

Jimmy

MEMORANDUM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

cc:
Eizenstat
Assess -
J

~~CONFIDENTIAL~~

February 16, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: Jim Schlesinger JS

RE: Energy Reorganization

I believe we have arrived at an Administration-wide agreement on the structural components for creation of a Department of Energy. Our aim has been to create an integrated Executive Branch structure, with the bureaucratic capability and statutory authorities needed to implement a coherent policy plan, and to prevent the dispersal of energy-related functions into agencies in which they could not be given full consideration in the light of energy policy goals. At the same time, in those cases in which special expertise resides in a particular department or agency we have attempted to build in policy control while leaving implementation of policy in that agency or department.

I believe the structure outlined below meets these general goals.

In each instance below, agreement has been reached with the relevant department or agency head on the transfer of authorities needed to give the Energy Department the scope outlined.

A separate memorandum outlining the understanding between myself and Secretary Andrus on issues relating to the Interior Department is attached. We have reached a full agreement which, particularly on the difficult question of leasing, preserves the Interior Department's rights in observing environmental and land use considerations while giving the Energy Department the type of economic policy control which it needs to be an effective voice in the leasing process.

(1) FEA, ERDA and the Federal Power Commission will be the basic building blocks of the department, with the

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MARKING BY JS

DATE

6/19/89

petroleum regulatory functions of the FEA and the FPC forming a regulatory group within the department. In addition, the ICC's activities in oil pipeline valuation and the SEC's Public Utility Holding Company Act functions (relation to mergers in the electric utility industry) will be added to the regulatory group, giving the department a broad range in this area.

(2) In the area of energy conservation, the HUD thermal efficiency standards program, under which commercial and residential energy efficiency standards must be promulgated by mid-1979, will have its statutory authority moved from HUD to the Department of Energy, with HUD doing the actual standards development and implementation work, under DoE policy control. In addition, the Commerce Department's voluntary industrial standards program will come into the department. These are in addition to the very substantial ERDA conservation R and D programs and the FEA conservation and state grant programs. This combination will give us a good base from which to administer a strong conservation program, though substantial additional statutory authorities will clearly be needed through the comprehensive plan.

(3) The Resource Development function in the department will encompass FEA resource development programs (including the coal conversion program), ERDA's uranium enrichment program, and the power marketing functions of Interior and Department of Defense Naval Petroleum and Oil Shale Reserves.

(4) In addition to the conservation and resource development areas, the department will have a strong technology base through the existing ERDA programs, and a strong data collection and analysis capability by combining FEA, ERDA, Bureau of Mines and FPC data functions. In addition, a separate Assistant Secretary for Environment will both conduct environmental research and development relating to ongoing missions of the department and serve as in-house environmental monitor for departmental activities.

In sum, I believe we have the elements for a department which will enable us to move effectively in implementing a coherent energy policy. We are proceeding to draft the legislation and accompanying material in accordance with your goal of introduction of legislation by March 1.



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

February 16, 1977

MEMORANDUM

TO : The President

FROM : Cecil D. Andrus
Secretary of the Interior

Jim Schlesinger
Assistant to the President

SUBJECT: Energy Reorganization - Interior

In 1974 various energy related functions of Interior were transferred to FEA and in 1975 additional transfers were made to ERDA (see Attachment 1). We are now in full agreement on the final framework for energy reorganization as it relates to the Department of the Interior.* If you agree, we will begin work on the legislative package to go to the Hill by the end of the month.

Details are as follows:

1. Non-Energy Minerals

We both strongly believe that non-energy mineral resource responsibilities should remain in Interior. Consequently, in substance we are talking about the creation of a Department of Energy (DoE).

2. Power Marketing Agencies

The following power marketing agencies will be transferred to DoE:

- * Bonneville
- * Alaska
- * Southwest
- * Southeast

In addition, the emergency energy functions of the Assistant Secretary for Energy and Minerals and the National Petroleum Council will be transferred intact to DoE.

*(Transfers into Interior as a part of your overall reorganization efforts will be dealt with later.)



3. Bureau of Reclamation

The power marketing function of the Bureau of Reclamation will be transferred to DoE. This will involve reassignment of some individuals in Washington and in the field. Transmission line construction and maintenance will continue to be handled by DoI, operating under DoE's guidance with regard to end users. Arrangements on fixing the price of power have not yet been determined, but need not be described in detail in the legislation. All other functions of the Bureau of Reclamation will remain in Interior.

4. Bureau of Mines

The fuels data function of the Bureau will be transferred intact to DoE (approximately 125-130 people). The research functions relating to mine production -- including coal mine underground R and D and surface equipment R and D -- as well as coal preparation and analysis will be transferred to DoE; the balance of research (mine health and safety, environmental control, etc.) will remain in DoI. Decisions with regard to ownership of the Bureau of Mines' five laboratories are still to be made. No problems are anticipated. All other functions of the Bureau of Mines will remain in DoI.

5. BLM, Geological Survey

These two organizations will remain in DoI. There may be a small number of people transferred from the Conservation Division of the Survey to DoE to assist DoE in meeting its leasing responsibilities described below. However, DoE will likely prefer to build its own staff.

6. Leasing Functions

The primary responsibility for leasing all public and OCS lands and resources will remain in DoI. DoE will be involved in the leasing process as follows:


- (a) Each year the Energy Secretary will develop long-term production goals for Federally controlled onshore and offshore energy resources, resource by resource, with input from the Interior Secretary. The goals will be set taking into account reasonable lead times for the particular resource involved. If the Interior Secretary concludes a particular goal is unrealistic, the matter will be decided by the President.


- (b) General regulations governing the leasing program would be issued by DoI. However, regulations covering economic terms and conditions of the lease, listed below, will be established by DoE, though formally issued by DoI:
- * Competitive relationships among energy companies
 - * Alternative bidding systems
 - * Mandatory rates of production, emergency acceleration of production, direct control of production for resale
 - * General due diligence regulations.
- (c) Issuance of specific lease-by-lease terms and conditions will be done by DoI, with DoE approval required only for those areas of individual lease agreements covered by the general regulations set by DoE in (b), above.
- (d) In the post-lease period, DoE will fix production rates for the energy resources (including MER's and MPR's). DoE will have authority to monitor the Geological Survey's work and perform work of its own to determine if production rates are being followed, and to recommend cancellation or forfeiture of the lease to the Interior Secretary, in accordance with applicable law and terms of the lease. If the Interior Secretary determines that the lease will not be cancelled or forfeited, his reasons for that determination must be published in the Federal Register within 90 days.
- (e) DoI will make all data gathered in the leasing process available to DoE. In particular, DoI will insure that all technical and economic parameters developed by the USGS Conservation Division will be made available to DoE.

- (f) A Leasing Liaison Committee will be established, with a Presidential appointee as its head (coming from the Energy Department) and membership from the Energy Department. The Committee will act as a vehicle for DoE to be fully informed at all stages of the leasing process, and for DoE, through the Secretary, to make recommendations to DoI on matters relating to leasing (in addition to the specific authority given DoE above), with a right of referral by the Secretary to the President if he feels that actions or failure to act by DoI on matters recommended to it are adverse to the responsibilities of DoE.
- (g) Except as noted above, DoI's responsibilities for the leasing of public and OCS lands and resources -- including, but not limited to, tract selection and actual awarding of leases -- remain unchanged.

7. NPR in Alaska

No change is recommended with regard to the location of the present exploration program for the NPR in Alaska (due to be transferred to Interior on June 1). However, through the Leasing Liaison Committee, DoE will prescribe goals for the exploration program, and will make input to the President on recommendations for developing NPR in Alaska, pursuant to legislation requiring a Presidential report on development alternatives by early 1980.


CECIL D. ANDRUS
SECRETARY OF THE INTERIOR


JIM SCHLESINGER
ASSISTANT TO THE PRESIDENT

Attachment

cc: Bert Lance

Transferred to FEA

1. Office of Oil and Gas
2. Office of Energy Conservation
3. Office of Energy Data and Analysis
4. Office of Petroleum Allocation

Transferred to ERDA

1. Office of Coal Research
2. Bureau of Mines
Energy Research Centers:
Pittsburg, Pa.
Morgantown, West Va.
Bartlesville, Ok.
Grand Forks, N.D.
Laramie, Wyoming
San Francisco, Calif.

THE WHITE HOUSE
WASHINGTON

February 18, 1977

Stu Eizenstat
Jim Schlesinger

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Status of Breeder Reactors

cc: Jack Watson

THE PRESIDENT HAS SEEN.

See
note -
J

THE WHITE HOUSE
WASHINGTON

2/2/77

To Jim Schlesinger

What is status

of a) Thorium breeder?

b) LM FBR?

(Completion date, cost,
potential, degree of
duplication)

Brief report

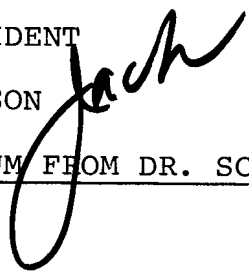
adequate -

J

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THE WHITE HOUSE
WASHINGTON

February 17, 1977

MEMORANDUM TO: THE PRESIDENT
FROM: JACK WATSON 
RE: MEMORANDUM FROM DR. SCHLESINGER

I attach for your information a memorandum from
Jim Schlesinger on the status of certain breeder
reactors.

Attachment

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

*Jim & Stu - I'm concerned
about this. Whether we
need it - Benefit: cost ratio.
Environmental. Time schedule.
Sharing data with other
nations - Termination costs.
Additional budget commitments.
Keep analysis viable -*

MEMORANDUM FOR: THE PRESIDENT
FROM: JIM SCHLESINGER *J.*
SUBJECT: Your Inquiry Regarding the Liquid
Metal Fast Breeder Reactor and
Thorium Breeders

In response to your request for information on the status of the Liquid Metal Fast Breeder Reactor (LMFBR) and thorium breeders, the following summary is provided:

Liquid Metal Fast Breeder Reactor

Completion date:

- o Under the Ford budget, the Clinch River Breeder Reactor Demonstration Plant in Tennessee was to be completed by 1983. No site construction has yet started.
- o Again, under the Ford budget, the LMFBR program was aimed at commercial introduction in the mid-1990's assuming that uranium for Light Water Reactors would be running out and that coal would present large economic or environmental problems.
- o This entire program is under intensive review at this time, in accordance with the development of your over-all energy policy.

Costs:

- o Clinch River Plant costs to date are \$293 million, including \$92 million from utility companies. Total project costs are estimated to be \$1.95 billion; including \$254 million from utilities.

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- o Total LMFBR program costs are \$2.7 billion to date. Costs to complete commercialization of a Liquid Metal Fast Breeder Reactor energy system (fuel cycle and safety facilities as well as demonstration plants) could reach \$14 billion by 2020.

Problems:

- o The LMFBR has more hazards to be resolved than do Light Water Reactors (LWR's) due to the use of sodium and the potential for fuel recriticality.
- o The LMFBR generates large amounts of plutonium, a highly toxic substance which is also a material from which nuclear weapons can be made, presenting additional world-wide non-proliferation concerns.
- o The increasing costs to compensate adequately for these safety and nuclear proliferation concerns and the possibility of cheap coal being available long into the future could make the LMFBR commercially uneconomic.

Duplication:

- o The LMFBR program builds on the LWR technology only in the sense of using common basic principles but requires new developments in high temperature sodium components, LMFBR fuels and LMFBR safety analyses and testing.
- o The LMFBR fuels development activities are applicable to fast gas reactor development and the research on materials performance in high temperature and fast neutron environments could have applicability to other fast reactors and potentially to fusion reactors.
- o There are similar LMFBR programs in other countries which are developing information useful to the U.S. program but the licensing and environmental problems being addressed by portions of the U.S. program are not similar to those faced abroad.

Thorium Breeders

There are two thorium breeder programs conducted by ERDA, the light water breeder reactor (LWBR) and the gas-cooled fast breeder reactor (GCFBR).

- LIGHT WATER BREEDER REACTOR (LWBR)

Completion date:

- o The basic technology development and a "proof of breeding" in a demonstration plant are expected to be completed by 1983. The program plan for commercialization of the concept has not been developed and will depend greatly on the success of this demonstration and interest in this concept by the existing nuclear industry.

Costs:

- o Costs to date are \$235 million and approximately an equal amount will be required to complete the basic technology and proof of breeding demonstration. Costs to commercialization and to complete the fuel cycle for the LWBR have not been developed.

Potential:

- o The LWBR concept is the only known concept for increasing the efficiency of fuel utilization in present light water reactors (LWR's) above a few percent. If commercial it would open up use of thorium as a new resource.

Problems:

- o Utilities have shown little interest to date because of the unfavorable economics associated with the introductory (pre-breeder) phase of the concept. Plans for the fuel cycle required to support the LWBR have not been developed. Most serious problem is that even if R&D is successful it is unlikely this reactor would produce electricity at a cost competitive with other resources.

Duplication:

- o This is a unique program in reactor development and does not duplicate or overlap other reactor development programs.

- GAS-COOLED FAST BREEDER REACTOR (GCFBR)

Completion date:

- o No definite plans have been developed but the technology is probably a decade behind the LMFBR in its development. No plant demonstrations are currently approved by ERDA.

Potential:

- o The GCFBR can utilize either a uranium/plutonium or a thorium/uranium fuel cycle. It has the same extensive energy potential as the LMFBR. It has received the support of many utilities, who have formed a corporation to support the GCFBR as a backup to the LMFBR.

Problem:

- o The HTGR concept, upon which the GCFBR technology is based, may not be commercialized by industry which raises doubts as to whether the GCFBR could ever be commercialized. The HTGR's commercial backers, General Atomic Co., recently cancelled all future HTGR plants on order. Much of the GCFBR technology is also based on the LMFBR, therefore, if the LMFBR fails, it is highly likely that the GCFBR would also.

Duplication:

- o This program uses the results from the LMFBR program and the LWBR program, but, because of very restrained budgets, does not now duplicate either.

THE WHITE HOUSE
WASHINGTON

February 18, 1977

Maxie Wells

The attached is forwarded to
you for your information.

Rick Hutcheson

Re: Letter to Rudolph Serkin

cc
maxie well

THE WHITE HOUSE
WASHINGTON

Rick --

please send a copy of this
to Maxie

thanks -- susan

THE WHITE HOUSE
WASHINGTON

2-17-77
To Rudolph Serkin

It was an exciting
experience for me at the
White House to hear you
perform during the visit
of President Lopez Portillo.

You brought the music
to life, and we could
hardly restrain our applause
until the conclusion of
your wonderful performance.

Thank you!

Jimmy Carter

THE WHITE HOUSE
WASHINGTON

February 18, 1977

Tim Kraft

The attached was returned in the
President's outbox. This copy
is forwarded to you for your
information.

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

2-18-77

To Joan Maruck

Thanks. for your letter
& for your help with
the selection Commission.

I'm only sorry I couldn't
spend some time just
with you.

Come by to see me
when you're in Washington
again.

Love,

Jimmy

JOAN MASUCK
4341 N. 81ST AVE.
OMAHA, NEBRASKA 68134

THE PRESIDENT HAS SEEN.

February 6, 1977

Dear President Carter,

It made me very happy to see you come through the door of the West wing of the White House as President of the United States. It was all we have worked for. At last you are able to do the things we have been dreaming of all these years.

You were so considerate to recognize me and remember my work and our friendship even though the room was filled with such capable and talented people.

Such a group of interesting people I have never seen before. I sat by Governor Harriman for a long time on Friday. He said, "I was in Omaha in 1913 and worked in the yards of the Union Pacific and became Chairman of the Board". (That was a nice jump and I suppose it helps if your father owns the rail road!) Because of his hearing problem I was pleased to interpret soft spoken words and punch lines. He gave much helpful advice and suggestions, and neither he nor Dean Rusk were managing or condescending as with their experience might have been the case.

Even though the Washington Star criticized the Board as too political you did put together a good group. Those I met who worked with your campaign will all bring their own variety of constructive views, and I feel I can make a good contribution, too.

Thank you again for your confidence in me and give my love to Mrs. Carter (nee Rosalynn).

Sincerely,

Joan.

PS,

Back to earth! Within an hour after my return home I was busily cleaning a smelly hamster cage. Do you think Dean Rusk does that, too?

1000
THE PRESIDENT HAS SEEN.

rick -- i hand delivered this to
dr. brzezinski with some other material.

if you need this copy for file, please
place it in a secure area for sensitive
documents

thanks -- susan

THE WHITE HOUSE
WASHINGTON

2-18-77

To Jbig

I'm concerned about Peru
& armament level. Advise
how best to express our
concern to P. & USSR, &
give me more detailed
assessment of the potential
threat to neighboring
countries.

J.

THE WHITE HOUSE
WASHINGTON

cc JACK
STY

do
photostat
copies for
Andrew &
Schlenger

THE WHITE HOUSE
WASHINGTON

February 18, 1977

Bert Lance
Charles Schultze

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Increase Postal Employment

THE WHITE HOUSE
WASHINGTON

2-17-77

To Lance
Schultz

- a) What can we do to increase employment in Post Office, etc. by restricting overtime work?
- b) What rules on overtime should be established to prevent circumvention of employment limits in government?

J.C.

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THE WHITE HOUSE
WASHINGTON

February 18, 1977

Stu Eizenstat -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Unlocking the Gilded Cage
of Regulation (FORTUNE
article)

THE WHITE HOUSE
WASHINGTON

The attached is forwarded to
you for your information.

The Vice President

Midge Costanza

Stu Eizenstat

Hamilton Jordan

Bob Lipshutz

Frank Moore

Jody Powell

Jack Watson

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

2-18-77

Sta -

Let's move -

Broad based

Thorough

Forceful -

Consult \bar{c} Cabinets
after our position
is in draft form -

J

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UNLOCKING THE GILDED CAGE OF REGULATION

Little-noticed efforts in the White House and Congress have created an opportunity to restore competition in some regulated industries.

by Paul H. Weaver

For decades now, journalists and political scientists have maintained that government regulation of business is protected from effective challenge by what they call the "iron triangle." The phrase refers to a three-sided entente that tends to form among a regulatory agency, the congressional committees with jurisdiction over it, and the industry it regulates. These three parties defend regulation because it confers power on the regulators, gives political benefits to the Congressmen, and provides shelter for the businessmen who prefer the comfort of their gilded cage to the rigors of competition. And since their interest in regulation is large and obvious, while the interest of the injured consumer is small and inconspicuous, the traditional view has been that no politician in his right mind would disturb the regulatory status quo.

Today, however, what everyone "knows" about the politics of regulation is no longer so, if indeed it ever was. Not only has regulatory reform begun to seem politically possible, it has already started to happen.

Carter's unprecedented opportunity

Over the last two years, major consumer-oriented reforms have abolished legalized price fixing of brokers' commissions in the securities industry, repealed the legislation permitting state fair-trade laws, and allowed railroads greater discretion in setting rates. Legislation to overhaul many other regulatory programs is currently in the con-

gressional pipeline. President Carter, as he takes office, has an unprecedented opportunity to bring about regulatory changes that economists, consumerists, and many business leaders have been recommending—albeit with little effect—for years.

One of the options now within Carter's reach is to press for procedural reforms. Government regulation has often been criticized for its tendency to delay, its failure to weigh costs against benefits, the fact that it sometimes falls captive to particular industries or political groups, and the disappointing quality of the people who administer it. Official Washington now seems disposed to alleviate some of these ills.

Letting markets do their work

But Carter also has a chance to go beyond procedural reform to accomplish something more fundamental, namely, to deregulate major sectors of the American economy. To be sure, most regulatory programs exist for good reason. Deregulation would be inappropriate in industries that are "natural monopolies," such as the electric utilities, and in areas where market forces do not achieve desired social ends, such as pollution control. But economists have long argued that many regulatory schemes—principally those governing industries in which market mechanisms could work effectively—have no justification and serve only to squander billions of dollars every year on excess capacity. Deregulation now seems both desirable and, in

varying degrees, politically feasible in several areas:

Legislation now under active consideration by Congress, and likely to pass in some form, would reduce or abolish the Civil Aeronautics Board's control over airline prices and routes.

A bill to end the Federal Power Commission's control over the wellhead price of natural gas was nearly enacted last year and has a good chance this year.

The Antitrust Division has recommended the repeal or modification of the Robinson-Patman Act, which limits the right of sellers to charge different customers different prices for the same commodity. The law is intended to benefit small-business men by assuring them that their larger competitors won't get preferential price cuts from suppliers, but it harms consumers by keeping prices artificially high.

The Federal Communications Commission sharply restricts the programming that cable-television systems may provide, protecting television stations in the largest markets from competition and narrowing the consumer's choice. The idea of curtailing such restrictions is being studied in the House.

Congress has considered legislation to consolidate the agencies that regulate the banks and to reduce federal and state restrictions on interest rates and on the services that banks may provide.

The Antitrust Division has proposed amending the federal law that exempts the pricing of casualty insurance from antitrust restrictions.

They Fought to Deregulate the Airlines



John W. Snow



John E. Robson

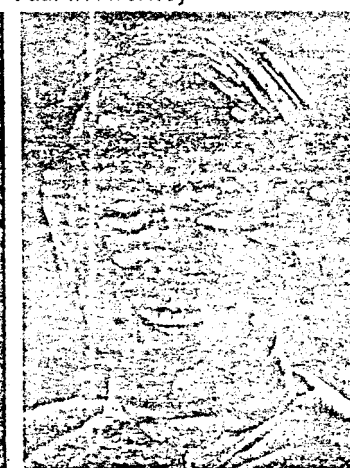


Edward M. Kennedy

Roderick M. Hills



Paul W. MacAvoy



Of all the efforts to reform regulation, none has come further faster than Senator Edward M. Kennedy's initiative to deregulate the airlines. Kennedy put the idea on the map with a path-breaking series of hearings that opened in 1974. The following spring, President Ford endorsed airline deregulation and set up a regulatory-reform task force in the White House under Roderick M. Hills, then Ford's counsel (and subsequently chairman of the SEC), and Paul MacAvoy, a member of the Council of Economic Advisers. A committed deregulator and effective advocate, John Snow, then deputy under secretary of Transportation, took the Administration's case to the people, logging tens of thousands of miles to make scores of public appearances. While Snow was going public, John Robson, chairman of the Civil Aeronautics Board, was quietly persuading fellow board members that they should regulate less. The CAB's support for a measure of deregulation turned the tide in Congress. Despite bitter opposition from the industry, passage of a bill is now a virtual certainty.

The Ford Administration proposed and Congress considered, cursorily, legislation to abolish the Interstate Commerce Commission's regulation of rates and entry in important categories of motor carriage. It isn't given a good chance of passing—trucking is one of the most powerful industries around—but at least it is no longer unthinkable.

Proposals to alter the Federal Maritime Commission's power to regulate rates and entry in the intracoastal shipping industry were studied by the White House during the Ford Administration. The shipbuilders, shipowners, and maritime unions are at least as well connected as the truckers and the Teamsters, so chances of deregulation are small, but not infinitesimal.

How the present opportunity for regulatory reform came to exist is a fas-

inating story that begins with Gerald Ford's accession to the presidency in the summer of 1974 and with his efforts to cope with the nation's deepening economic troubles. Ford's policy was to "steer a steady course"—i.e., to engage in no further economic "fine-tuning"—and to give the natural adaptive mechanisms of the marketplace a chance to get things back on an even keel. While waiting for this to happen, however, Ford needed to establish public confidence in his leadership. So during his first months in office he launched a highly visible program of public discussion that culminated in an "economic summit" late in September, 1974.

Government regulation surfaced as a front-page issue in the course of various meetings leading up to the summit, particularly in two conferences of econo-

mists. The economists agreed that government regulation was a major cause of the high and rising cost of living, and that reforming it was one of the few useful things that could be done to control inflation. The consensus on this point was striking, being shared by economists of every political stripe—a fact not lost on President Ford.

The Ford initiative

On October 8, 1974, in a major economic-policy address to Congress, Ford adopted the economists' views on regulation as his own, calling for across-the-board reform. He announced that he would require executive-branch agencies to submit inflationary-impact statements on proposed regulation. He directed the newly formed Council on Wage and Price Stability to pay close attention to

price increases caused by government. And he urged Congress to establish a National Commission on Regulatory Reform to develop a plan of action that could be implemented with minimum controversy and maximum speed.

No sooner had this extraordinary initiative materialized, however, than it seemed to disappear. For having raised the issue of regulation and proposed the creation of a commission, there was nothing further for the President to do until the commission had been established and had completed its work. Ford dropped the whole subject for the next several months.

A cabal inside

Beneath the surface, however, the initiative was very much alive. For in key second- and third-echelon positions throughout the Administration—in the Council of Economic Advisers, in the Office of Management and Budget, in the Domestic Council, in the Council on Wage and Price Stability, in the Anti-trust Division, even in the Department of Transportation—there was a cadre of officials who were deeply committed to regulatory reform and who kept in touch with one another. According to an OMB official who was a central figure in this network, they had in fact been indirectly responsible for the regulatory-reform emphasis of Ford's October 8 speech. "We were looking to create a regulatory-reform theme in the summits," he says, "and we got it out"—with help from their patrons, notably Roy Ash, Director of the Office of Management and Budget, and Secretary of the Treasury William Simon.

Having established this modest beachhead on the Administration's agenda, the members of the deregulatory network were prepared to work very hard to expand it. "Eventually we got a real program with real coherence," an Administration deregulator says. "But everyone in the White House was just reacting. In this instance, the external force acting on the White House wasn't an interest group or a department, but a cabal inside the Administration."

The "cabal inside" got its first big chance in the beginning of 1975. "It had

become clear that Congress wasn't going to create the commission," recalls James M. Cannon, director of Ford's Domestic Council. "So we had to find an executive-branch way to deal with regulation." Immediately, the cabal started pressing the White House to propose the deregulation of what they called "targets of opportunity"—areas of regulation that were politically as well as intellectually vulnerable and thus ripe for change.

The first such target to present itself was framed by a bill that was about to be introduced by Senator Edward Brooke to repeal the federal statutes enabling states to maintain fair-trade laws. "We went through eighty-seven hoops to get that bill endorsed by the White House," says a member of the cabal. "At the last minute—two hours before Brooke introduced the bill—the White House issued a press release supporting it." (Eleven months later, the bill became law.) In similar fashion, and in some instances with comparably suspenseful last-minute decisions, the deregulators got the Administration's imprimatur put on bills to reform railroad and banking regulation that had been proposed by the Nixon Administration and were making headway in Congress.

Tough talk in the White House

By means of such scheming, the cabal pushed regulatory reform onto the President's legislative agenda. Yet the "targets of opportunity" they were presenting to the President were in each instance framed by somebody else's legislation. In April, 1975, this pattern began to change when the President made a speech that identified targets of his own. Another important event was the arrival in the West Wing soon thereafter of President Ford's new counsel, Roderick M. Hills.

Hills's charter at the White House was to develop a full-fledged program of regulatory reform, and within weeks he had converted the cabal into a task force and had begun engineering an ambitious program of private consultations and public meetings with Congress and the regulatory agencies. The climactic meetings of this series occurred on June 25 and July 10, 1975, in the White House.

In the first of these, President Ford met with two dozen leaders from Congress. They discussed regulation for more than two hours and discovered that they did not really disagree about the need for significant reforms.

The second meeting took place between President Ford and the chairmen of ten regulatory agencies. For two hours they talked about what was wrong with regulation and what should be done to improve it. Ford told the regulators that their agencies weakened the economy and raised the cost of living, that their decision-making didn't sufficiently weigh costs against benefits, that they weren't attentive enough to consumer interests, and that they ought to reform themselves and submit reports on their efforts. Again, the meeting was amicable; despite the President's tough talk, the regulators didn't balk.

The Teamsters were seething

Hills's managerialist approach to the problems of regulation was supplemented by the more frankly deregulatory approach of Paul W. MacAvoy, an economist from M.I.T. specializing in regulatory matters, who had become a member of the Council of Economic Advisers in June. One of MacAvoy's chief duties was to join Hills as co-chairman of the burgeoning task force, which by then was named the Domestic Council Review Group on Regulatory Reform. Under their leadership, the DCRG, as it was called, went into high gear to develop proposals and backup studies for the deregulation of trucking, air transport, shipping rates, cable TV, energy, and price discrimination.

Within months the work paid off. In October, Ford sent Congress a bill to deregulate the airlines—and to the astonishment of nearly everyone, a month later he did the same for the trucking industry as well.

The President's final decision on the trucking bill was made in the wake of a series of meetings with the interests affected. One such meeting—between the DCRG and high Teamster officials—stands out in the minds of everyone present; by all accounts, the room fairly seethed with hostility.

Yet the President was unfazed by such opposition, as he demonstrated several weeks later in a meeting to settle last-minute questions of legislative strategy with Transportation Secretary William Coleman and members of the White House staff. As a member of the DCRG recalls: "The President puffed on his pipe and turned to Coleman. He said, 'I understand the Teamsters and truckers are pretty opposed to this, is that right, Bill?' And Coleman said, 'Yes, that's right, Mr. President.' President Ford said, 'Well, if the Teamsters and truckers are against it, it must be a pretty good bill.'"

The election got in the way

With Ford's courageous decision, the members of the DCRG were on top of the world. It looked as if they were on the verge of bringing off a program of deregulation that couldn't have been much more sweeping had it been planned as such from the outset.

But within weeks, the DCRG found itself stymied on every front. Rod Hills, after five months of vigorous leadership, left the White House to become chairman of the SEC; his successor as DCRG co-chairman, Deputy Counsel Edward Schmults, involved himself more actively in the presidential campaign than in the DCRG. Ford became preoccupied with his battle for the nomination. Soon Paul MacAvoy found every one of his remaining deregulatory projects—on cable television, the Robinson-Patman Act, shipping rates, and insurance—blocked, deferred, or sent back for further study.

Partly, this dramatic turnabout in the fortunes of Ford's deregulators was the expected result of their initial decision to pursue the easiest targets of opportunity first, leaving the more problematic cases for later. But it also reflected the pressures of election-year politics, which promptly slammed a lid on any new deregulatory initiatives. Formally, to be sure, the DCRG carried on with a series of useful, if modest, projects. But the important deregulatory action moved out of the White House and into the committees of Congress.

The failure of Congress, a year earlier, to act on Ford's request for a National Commission on Regulatory Reform was not the result of any lack of interest. To the contrary, Congress was so intrigued—or felt so threatened—by Ford's initiative that it immediately set out to preempt the issue. Instead of establishing a tripartite congressional-presidential-public commission, as Ford had asked, Congress set up an exclusively congressional study. And deregulatory projects already under way in Congress suddenly enjoyed increased visibility and higher priority. In 1976, as the Administration backed away from proposing new deregulatory measures, these congressional activities began to produce results.

Of all the congressional efforts, none has been more dramatic or come further than Senator Edward M. Kennedy's drive to deregulate the airline industry. As chairman of the Senate Judiciary Committee's subcommittee on administrative practice and procedure, Kennedy, in the summer of 1974, had decided to hold hearings zeroing in on how regulation affects the cost of living. In the end, he chose to look at the regulation of the airlines. "The deregulators made a strategic decision," says a Teamster lobbyist. "They saw trucking just had too many people to deregulate it, so they began looking around for the most vulnerable of the transportation industries—which is air."

The airlines were isolated

During the fall of 1974 and spring of 1975, Kennedy held ten days of hearings, in the course of which two things became increasingly evident. The first was that the defenders of existing airline regulation were few and comparatively isolated—mainly the companies and the unions. By contrast, the critics of airline regulation included such disparate groups as liberal Democrats, Ford Republicans, consumerists, economists, and hard-line conservatives.

The second thing the hearings made plain was that CAB regulation is extremely difficult to defend persuasively. That it serves some basic interests of the airlines and unions is clear enough:

airline workers had an average annual wage of more than \$18,500 in 1976, the highest of any U.S. industry. And regulation protects management from the constraints and uncertainties of price competition. But that CAB regulation serves any identifiable public interest is much harder to show.

"We kind of spoofed them"

"The airlines had only two arguments," says John Snow, who was deputy under secretary of Transportation and a leader in the fight for deregulation. "'If you deregulate us,' they said, 'and let us enter and leave markets at will, who's going to serve the small markets?' Their other argument was that deregulation would lead to chaos."

As for that last argument, Snow recalls, "we kind of spoofed them. We just said that these are preposterous arguments. We pointed out that the hotel industry is very much like the airline industry—it's seasonal, it has relatively low fixed costs. Is there chaos in the hotel industry because it isn't regulated? Are people unable to get rooms?" To this the industry and unions had no very persuasive answer.

As for the argument that deregulation would deprive small towns of air transportation, the deregulators discovered that they had an unexpectedly strong rebuttal. One of the Kennedy hearings' biggest accomplishments was to show, for the first time, that there is very little cross-subsidization—i.e., the use of profits earned from flying heavily traveled routes to support service to smaller towns and cities. This implies that, in the absence of regulation, the airlines would have no particular incentive to abandon most small towns. In fact, a DOT study found that only twenty-nine out of the 394 cities and towns served by scheduled U.S. airlines in 1975 could be expected to lose all service in the event of deregulation.

The airlines countered with facts and studies of their own, but the case they made for regulation was weak, and parts of it turned out to be embarrassing. In a TV debate, for example, Frank Borman, now chief executive of Eastern Airlines, handed Snow a list of some 200

continued page 186

Eastern routes that he claimed were losers. "I had fun with that list at the House hearings this summer," Snow says. "I could say, 'Now, Congressman, Eastern Airlines says that its Louisville-New York run is subsidizing people who fly from Antigua to St. Maarten. Is that really something the government ought to encourage?'"

Finally, the hearings uncovered a most persuasive argument for doing away with airline regulation. For it

turned out that two decades of experience with less regulated air-travel markets in California and Texas show that fares there are 40 to 50 percent lower than fares for comparable distances in CAB-regulated markets.

Intellectually and politically, the Kennedy hearings couldn't have been a greater success. Legislatively, however, they didn't seem promising. The administrative practice and procedure subcommittee may be able to hold hearings

on the CAB, but it doesn't have legislative jurisdiction over the agency. In the Senate that jurisdiction is held, and held firmly, by Senator Howard Cannon of Nevada, chairman of the Commerce Committee's aviation subcommittee. To judge from a public exchange of letters in which Cannon charged Kennedy with trespassing on the aviation subcommittee's rightful turf, Kennedy's hearings did not please Cannon.

Nevertheless, a year after the close of Kennedy's hearings, the aviation subcommittee opened what was to develop into an exhaustive set of hearings. They ended with Cannon's proposing a deregulatory bill of his own and announcing that he intended to bring it to the Senate floor this spring. A Cannon staff member attributes this change in posture to the Senator's changing view of the merits of the case. Other observers have a different interpretation of what happened.

"We put it to him straight"

"Kennedy got him from the side, and we took him up the middle," says a member of the DCRG. Explains a Kennedy aide: "The legislative committee couldn't sit there and watch our hearings go on when they have jurisdiction. They *had* to respond." And while Kennedy, after his hearings, was being elaborately deferential to Cannon in the hope of bringing him around, the Ford Administration—which by then was cooperating closely with Kennedy—gave him a none-too-gentle push.

"We went to see Cannon and we put it to him straight," recalls a member of the Administration. "We said that if he decided to hold hearings, we'd treat them as the appropriate forum in which to address the air question. Otherwise, we said, we'd have to use the Kennedy bill as the vehicle. Well, Cannon is very jealous of his prerogatives in the Senate, and he didn't want Kennedy to get any more of the action. He agreed to hold hearings right then and there."

The events of April 8, 1976, also helped to turn Cannon around. On that day, John Robson, chairman of the CAB, testified before Cannon's subcommittee

that the CAB itself had concluded unanimously that the public interest demanded more flexible fares, easier entry, more competition—and less regulation.

It isn't entirely accidental that under Robson's leadership the CAB took the step—unheard-of in a government agency—of asking that some of its powers be taken away. "Appointing people like Robson was very consciously a part of our program," says the Domestic Council's James Cannon. "After a lot of discussion—and a lot of people talking with Robson—we thought he was the guy, and it turned out that he was."

The iron triangle corroded

As things stand now, there are at least five bills before Congress to deregulate the airlines—Kennedy's, Cannon's, Ford's, the CAB's, and that of Congressman Glenn Anderson, chairman of the House aviation subcommittee. All give the airlines broad discretion in setting fares, and all enjoin the CAB to encourage competition. They differ principally in the key area of entry, with the Kennedy bill establishing an explicitly unlimited freedom of entry after four years, and the rest retaining varying degrees of restriction. Most observers regard the Kennedy bill itself as dead, a victim of its deregulatory purism and of Cannon's power in the Senate. A Cannon bill is given a very good chance of passing—and a very good chance of spurring competition if it does pass.

Evidently, if that much-talked-of "iron triangle" ever had the strength of iron, it doesn't anymore. Four developments appear to have corroded it, and to have ushered in the present state of deregulatory possibilities:

- New issues have arisen, reshaping public opinion. "Inflation, recession, and shortages started people thinking anew about fundamental economic notions," says Howard Cohen, special counsel to CAB Chairman Robson. "When they did that, they discovered that deregulation is the only fundamentally coherent approach around." Cohen says Watergate also had an influence: "A lot of ordinary people began to ask, 'Do we want government to have so much

continued page 188

power? When they do, and you've already got regulation up to your chinny-chin-chin, you start to want to get it down maybe to your waist."

■ In the past two decades, a growing number of economists have begun studying the effects of government regulation, and by now a large body of knowledge has been assembled. Since regulatory agencies do not evaluate their own programs, this research—much of it critical—has introduced a major new element into the agencies' political environment. "The progress of the air bill shows that research works," says MacAvoy. "You can take on the interest groups on their own terms with findings."

■ The fact that Ford was an unelected President undoubtedly helped the deregulators' cause. People running for office rarely commit themselves to reforms that promise small future benefits to everyone while imposing large immediate costs on a few well-organized groups. Even so, Jimmy Carter did volunteer some criticisms of regulation during his campaign, and his commitment to reorganization and better management has deregulatory implications. On the other hand, at least two Carter appointees—Brock Adams as Secretary of Transportation and Bertram Lance as Director of OMB—have attacked deregulation. Carter's position won't be clear until he spells it out, case by case.

■ The central political trend of recent decades has been the decline of the traditional interest-aggregating political party and the rising influence of the press, the "public-interest" group, the intellectuals, and the professions. "There's been a corresponding softening of ideological resistance by business to the values asserted by these newly influential groups," says Peter H. Schuck, director of the Washington office of Consumers Union. The advocates of deregulation have largely come from the newly powerful political sectors, and together with Republican conservatives, they make up a new majority in opposition to many traditional interest groups and to the regulatory programs that serve them.

In many respects, these forces make the political world of the late 1970's a

strange and often unnerving place, if only because they reopen so many questions, in everything from foreign policy to federalism, that have long been regarded as settled. But the fact that it has suddenly become possible to reform regulation in ways that for years have been thought necessary suggests that, whatever its defects, the emerging new shape of American politics isn't entirely without redeeming virtue.

These factors not only explain why deregulation has come so far so fast, they also delineate the limits on its likely future progress. The reform impulse extends to the old forms of economic regulation, most of them cartelized, and no further. The coalition of left and right may agree about the ICC and its ilk, but the two groups are bitterly at odds over health, safety, and environmental controls.

Running out of easy targets

Moreover, it is still risky for a public official to take up the regulatory question. Senator Kennedy, for instance, points out that in raising the issue of regulation, "you're making real enemies today for potential friends tomorrow." For most politicians that isn't an attractive bargain, and it's worth remembering that Kennedy chose to take on the airlines, not the truckers.

By the end of their reign, Ford's deregulators had more or less exhausted the available targets of opportunity. This partly reflected the state of economic research, and partly the more basic fact that deregulation is appropriate to only a relatively small portion of the regulatory establishment. Where it is possible, deregulation can be good policy and good politics. "In this town you get the most points for doing new things," says William Lilley III, who was acting director of Ford's Council on Wage and Price Stability. "Regulation has been around so long that doing away with it looks like grand reform."

In most areas of regulation, the need isn't for "grand reform" but for more sensible decision-making and for greater public attention to the regulatory process—and there's the rub. The pol-

itics of ideas, research, and public-interest groups has its own logic. Above all it needs to be visible. It needs large and dramatic issues that put it on the front pages and cast its leaders in a heroic light. Deregulation—grand reform that disestablishes the "special interests"—serves those needs very well. The details of management do not.

A 300-year-old onion

"Paul MacAvoy thought there was a main taproot of regulation, that if you got to it you could excise the malignancy," says William Lilley. "But you can't. There is no taproot. All there is is a 300-year-old onion." Which is to say that after government exhausts its limited opportunities for dramatic deregulation—for going after a few regulatory programs as if they were the taproot—it will find itself eyeball to eyeball with the onion.

Unless there is a way to make good political theater out of the tireless criticism of its endless layers, regulatory reform isn't likely to enjoy a long run in Washington. For the moment—while the opportunities are dramatic and a new President is optimistic about the possibilities for better management—its time has come. But if no action is taken and the moment is allowed to pass, it will be back to business as usual on the regulatory front. END

Acknowledgments

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THE WHITE HOUSE
WASHINGTON

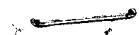
February 18, 1977

Stu Eizenstat -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Status of Legislation for
Economic Stimulus



CC

STM

MEMORANDUM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

February 17, 1977

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*

SUBJECT:

Status of Legislation for
Economic Stimulus

(Generally, legislation is submitted by the Departments responsible for it. Thus, the stimulus legislation would not be submitted in one package from the White House, but rather by the various Departments as they complete the legislation. OMB and my staff review the actual legislation prior to submission and coordinate its submission.)

The legislation supporting the Economic Stimulus Message is at the following stages:

1. Treasury Department: Treasury has drafted and transmitted to Congress the legislation required for the tax rebates and cash payments, as well as for the counter-cyclical revenue sharing. The legislation is substantially in accord with your Message and previous Administration testimony to Congress, except that the tax bill provides for:

- 1) an adjustment in the standard deduction from the originally proposed \$2,400-\$2,800 level to the \$2,200-\$3,000 level to minimize the so-called "marriage penalty"; ✓
- 2) a limitation of the 4 per cent payroll tax credit to business firms, with exempt organizations and State and local governments being ineligible; and ✓
- 3) an extension of existing tax deductions which would otherwise expire at the end of Calendar 1977. ✓

2. Commerce Department: Commerce is responsible for the implementation of the public works program. Prior to the submission of the Message, the Department was already working with the relevant Congressional committees on their own public works legislation. As a result, the committees are well along

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for Preservation Purposes**

toward having final legislation. The Department does not feel that, at this point, the Administration needs to submit its own legislation because the legislation developed by the committees will largely reflect the Administration's position. ✓ The committees will probably change the funding in our proposal from \$2 billion in FY 1977 and \$2 billion in FY 1978 to \$4 billion in FY 1977. Secretary Kreps recommends we accede to this change.

3. Labor Department: Labor is responsible for drafting the amendments to CETA needed for the employment and training programs. Although the programs are complicated and numerous, the actual legislation needed to implement those programs is fairly simple. (That is because the programs can largely be implemented under a broad grant of authority to the Secretary to develop such programs as he deems appropriate.) ✓ The legislation has been drafted and is in satisfactory form but is being held pending resolution of a disagreement between Labor and OMB as to your decision on whether the legislation should have a trigger mechanism for phasing down the public service jobs program in FY 1978. I will be back to you shortly on that matter.

↑
*I trust this
issue is resolved -
Let me know if not.*

**Electrostatic Copy Made
for Preservation Purposes**

T
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B
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MEMORANDUM FOR Stuart E. Eizenstat
Assistant to the President
for Domestic Affairs Policy

From: Juanita M. Kreps

Subject: Pros and Cons of an Immediate \$4 Billion
Expansion in Local Public Works

The proposal to obligate the full additional \$4 billion in FY 1977 i.e., collapse round II (\$2 billion in FY 1977) and round III (\$2 billion in FY 1978) into one enlarged round II, has several advantages and disadvantages.

The advantages include:

1. Provide some possible leverage with those who are promoting more funds beyond the announced additional \$4 billion. At the same time, it offers possibility of "closing out" LPW as active legislation by spending the full authorization in FY 1977. There is some danger that by extending LPW through FY 1978 we would be vulnerable to having more funds added next fiscal year.
2. Would help minimize the complaints and related political problems which will arise out of the next round; a \$4 billion expansion would almost ensure everyone getting something.
3. An additional \$2 billion would be available for this year's construction cycle permitting greater economic stimulus in the near term and lessening the possible contra-cyclical effect in FY 1979 and beyond.
4. There is little time available, given the legislative timetable, to design and enact "economic development considerations", into round III. Also a good policy question can be raised as to whether LPW should be so skewed. It



may be desirable to retain LPW as a straight counter-cyclical public works program and not try to create a hybrid. Orienting the third round LPW projects to economic development has the effect of mixing two different missions, i.e., economic development and short term job creation; the result will be a poor job for both aims.

5. Will lessen the administrative burden on EDA as the same amount of pre-award work is required whether \$2 billion or \$4 billion is approved in FY 1977.

6. Construction cost rise 10-15 percent per year so earlier obligation would mean less shrinkage in the amount of construction achieved.

The disadvantages include:

1. May only set the stage for those who want more money in LPW and who would continue to argue for adding more funds in FY 1978 as well.

2. The probability of getting less desirable projects (i.e., tennis courts) particularly in the smaller states where they may run out of sizable projects.

3. If new program design has some hidden flaws, or more likely if Congress enacts some provisions which create problems such as they did when they allowed for gerrymandering, the opportunity to "recover" via round III is lost. **Electrostatic Copy Made for Preservation Purposes**

4. Lose the opportunity to possibly make round III more "economic development oriented", but as noted above this may not be desirable or practical.

Recommendation: The Administration should agree to the House Budget Committee resolution for an immediate \$4 billion expansion of LPW in FY 1977. *ok*

If Congressional pressures are such that even more than the \$4 billion is to be added to LPW, the Administration should attempt to deflect this by proposing that additional funds be added to the base EDA program i.e., PWEDA. The case being that there is a similar construction effect, but that it is better targeted to structural problems.

THE WHITE HOUSE
WASHINGTON

2/18

Date: February 16, 1977

MEMORANDUM

FOR ACTION:

FOR INFORMATION: The Vice President
Bert Lance
Charles Schultze
Bob Lipshutz
Hamilton Jordan
Frank Moore
Jack Watson

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Stu Eizenstat memo 2/15/77 re
Status of Legislation for Economic
Stimulus.

*revised
version
attached*

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 9:00 A.M.

DAY: Friday

DATE: February 18, 1977

ACTION REQUESTED:

☒ Your comments if you have any.

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

*Note
2-19 summary
prepared by Stu
went to Pres
instead of
attached
Dish*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)


THE WHITE HOUSE

WASHINGTON

February 15, 1977

ACTION MEMORANDUM

MEMORANDUM FOR: THE PRESIDENT

FROM: Stu Eizenstat 

SUBJECT: Status of Legislation for Economic Stimulus

(Generally, legislation is submitted by the Departments responsible for it. Thus, the stimulus legislation would not be submitted in one package from the White House, but rather by the various Departments as they complete the legislation. OMB and my staff review the actual legislation prior to submission and coordinate its submission.)

The legislation supporting the Economic Stimulus Message is at the following stages:

1. Labor Department: Labor has been responsible for drafting the amendments needed for the employment and training programs. Although the programs are complicated and numerous, the actual legislation needed to implement those programs is fairly simple. (That is because the programs can largely be implemented under a broad grant of authority to the Secretary to develop such programs as he deems appropriate.) The legislation has been reviewed and approved by OMB and is nearly ready to be transmitted to Congress.
2. Commerce Department: Commerce is responsible for the implementation of the public works program. Prior to the submission of the Message, the Department was already working with the relevant Congressional Committees on their own public works legislation. As a result, the Committees are well along toward having final legislation. The Department does not feel that, at this point, the Administration needs to submit its own legislation, for the legislation developed by the Committees will largely reflect the Administration's position. Separate legislation would gain no more.

The Committees will probably change the funding in our proposal from \$2 billion in FY 1977 and \$2 billion in FY 1978 to \$4 billion in FY 1977. Secretary Kreps recommends we accede to this change in her attached memorandum. (Tab A)

3. Treasury Department: Treasury has been responsible for drafting the amendments needed for both the tax rebate and cash payments, as well as for the counter-cyclical revenue sharing.

A. Rebate and Payments: The rebate and payments legislation has been nearly completed and is ready for transmission. That legislation would make four changes in the package described in the Economic Stimulus Message. The first three of those changes, which are acceptable to Chairman Ullman, would do the following:

1. adjust the standard deduction from the originally proposed \$2400-\$2800 level to the \$2800-\$3000 level; to avoid exacerbating the "marriage penalty";
2. limit the 4% payroll tax credit against income tax to business firms, with exempt organizations and state and local governments being ineligible; and
3. extend existing tax deductions which would otherwise expire at the end of Calendar 1977.

I agree with Secretary Blumenthal that these changes should cause no problems. I understand from him that you have already agreed to each of these changes:

_____ Agree with changes

_____ Let's discuss this further

A final change contained in the draft of the Treasury legislation would place a ceiling on the application of the rebate. Taxpayers earning above \$30,000 would get no rebate and those earning between \$25,000 and \$30,000 would get a scaled-down rebate. Savings from this

change would enable the size of the rebate to rise from \$50 to \$55. I feel that this change is a significant departure from the type of rebate already promised and mentioned explicitly in the Message. Treasury felt the change should be made so Congressman Ullman would introduce the legislation I asked Frank Moore to call Mr. Ullman to determine whether he would agree to introduce our legislation with an across-the-board \$50 rebate, with the understanding his Committee would make the change above. Frank reports he has agreed to do this. While the change is likely to be adopted by the Ways and Means Committee, we should simply accede to it and indicate Congress had changed it, rather than the Administration. In our discussions yesterday, I believe you agreed to keep the rebate as described in the Economic Stimulus Message:

_____ Agree to keep \$50 rebate

_____ Want to change size of rebate

B. Countercyclical Aid: Treasury has also drafted legislation to implement the countercyclical revenue sharing program. To accommodate Senator Muskie, Treasury has recommended that the legislation extend the program for five years, rather than the four promised in the Message. That would make the expiration date September 30, 1982. The reason for the extension is that Senator Muskie would prefer to synchronize the program with the schedule for program termination and review contained in his "Sunset" Bill. I agree with Treasury's recommendation in favor of this extension. Senator Muskie's staff has agreed to accept two changes we have recommended: one would put a \$2.25 billion ceiling on authorizations rather than have an open-ended authorization; the other would insure that allocations are based on the most recently completed entitlement period for general revenue sharing.

_____ Agree with additional extension

_____ Keep expiration date as described
in Message

On any legislation which changes the Message, such as the standard deduction, we will explain the reason for the change in the transmittal letter to Congress forwarding the legislation. I will coordinate this with the agencies.

THE WHITE HOUSE
WASHINGTON

February 18, 1977

Greg Schneiders

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Presidential Boxes at the
Kennedy Center

THE WHITE HOUSE
WASHINGTON

Mr. President:

Watson and Lipshutz concur.

Jody says: "I think if
you do you're going to
screw up the amenities."

Other staff had no comment.

Rick

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

No
J

February 14, 1977

MEMORANDUM FOR: The President
FROM: Greg Schneiders *Greg*
SUBJECT: The Presidential Boxes at the
Kennedy Center

Tickets to the Presidential Box in each of the three theatres for each performance at the Kennedy Center are available complimentary to the President and the First Family for their own personal use and/or to distribute to Cabinet, Staff and Friends.

I suggest that these tickets be made available to the elderly, the handicapped or students (your preference) 1 1/2 hours before curtain if no requests have been made for them by that time.

Obviously the distribution system should be as simple as possible (one phone call should suffice). This could be administered by Becky Hendrix who now controls distribution of the tickets to the Cabinet and Staff.

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

Date: February 15, 1977

MEMORANDUM

FOR ACTION:
Bob Lipshutz

FOR INFORMATION: The Vice President
Midge Costanza
Stu Eizenstat

Hamilton Jordan
Frank Moore
Jody Powell
Jack Watson

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Greg Schneiders memo 2/14/77 re
The Presidential Boxes at the
Kennedy Center.

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME: 11:00 A.M.

DAY: Thursday

DATE: February 17, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

Date: February 15, 1977

MEMORANDUM

FOR ACTION:
Bob Lipshutz

FOR INFORMATION: The Vice President
Midge Costanza
Stu Eizenstat

Hamilton Jordan
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Jody Powell
Jack Watson

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STAFF RESPONSE:

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☒ No comment.

Please note other comments below:

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THE WHITE HOUSE
WASHINGTON

STAFF
TO SR STAFF

Bob Lipscomb -
Action

Date:

February 15, 1977

MEMORANDUM

FOR ACTION:
Bob Lipshutz

FOR INFORMATION: The Vice President
Midge Costanza
Stu Eizenstat

Hamilton Jordan
Frank Moore
Jody Powell
Jack Watson

FROM: Rick Hutcheson, Staff Secretary

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DAY: Thursday

DATE: February 17, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

O.K.

RS

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Date: February 15, 1977

FOR ACTION:
Bob Lipshutz

MEMORANDUM

FOR INFORMATION: The Vice President
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☒ Your comments

Other:

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Please note other comments below:

☐ No comment.

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Date:

February 15, 1977

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TIME: 11:00 A.M.

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ACTION REQUESTED:

☒ Your comments
Other: ☐

STAFF RESPONSE:

☒ I concur.
Please note other comments below:

☐ No comment.

*I think if you & you're
going to screw up the amenities.
JLP*

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

February 18, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: Stu Eizenstat *Stu*
SUBJECT: Meeting with Admiral Rickover on
Labor Matters

At your request, I have talked with Admiral Rickover about the labor abuses he described. I have arranged to meet with him at his office on Wednesday, February 23, at 10:30 a.m. I have asked Bill Johnston, the labor specialist on my staff, to accompany me for this meeting on union practices.

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

February 18, 1977

Stu Eizenstat -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Admiral Rickover's comments
on Union Practices That
Result in Lesser Employment
and Higher Costs

Admiral Hyman G. Rickover
2301 S. Jefferson Davis Highway
Arlington, Virginia 22202

THE WHITE HOUSE
WASHINGTON

2-17-77

To H. G. Rickover

I would like to have
Stu Eigenstat obtain from
you specific information
about the labor abuses
you described. Then I
will talk to the labor
leaders to try to prevent
recurrences of these problems.

Respectfully,

Jimmy

cc: Stu

Washington, D.C.

17 February, 1977

THE PRESIDENT HAS SEEN.

Dear Mr. President

Enclosed is a memorandum which
concerns union practices leading to reduced
employment and higher costs.

Should you desire to have someone discuss
the issue with me, please have him contact
me

Respectfully,

H. S. Rickover

To Eisenhower -
Get details from
Rickover

I form a
p.s. You may be helpful to
friendship us on other issues
J

Union Practices That Result in Lesser Employment and Higher Costs

Some union officials complain publicly that the Government should be providing more jobs. Yet they, themselves, sponsor or condone actions inimical to broader based employment. Some union officials, finding themselves in a strong bargaining position, exact terms which result in unnecessary costs to the Government and industry and which actually reduce employment.

Some examples of this are as follows:

a. In one locale, the leaders of all the union trades involved in a project agreed among themselves that overtime would be paid at the rate of time and one-half. One essential union, however, later said their members would not accept less than double time for overtime. The contractor appealed to the Department of Labor without avail. In order to get on with the job the contractor reluctantly had to agree to pay members of this union double time for overtime. All the other trades involved with the project immediately demanded and subsequently had to be paid overtime at the higher rate.

b. In another case some around-the-clock coverage was required in one critical trade to avoid delay to an urgent project. Because there were only a limited number of trained personnel who could do the work, they were asked to work seven days a week, twelve hours a day, for a two-week period. Local union officials insisted on special arrangements which had the effect of paying each worker double time after the first 20 hours worked during a week.

c. In one construction job, the local union insisted on guaranteed overtime, regardless of schedule demands, as a quid pro quo for providing the necessary people.

d. In some cases, union rules prescribe how many crafts and foremen must be assigned to a task. Often under these rules, too many people are assigned to work crews, thereby raising costs.

e. Jurisdictional disputes sometimes increase the cost of a project. In one case, carpenters performed work which another trade contended to be within its province. The protesting union demanded and subsequently received payment for work which was actually performed by the carpenters. To avoid costly work stoppages, the contractor ended up paying twice for the same work.

f. Frequently unions permit members to accept overtime pay for weekend work and then condone absenteeism by allowing the same members to skip days during the regular work week. Thus, instead of getting improved schedules through the use of overtime the contractor gets only a regular 40 hour work week at a much higher cost.

It would be to the overall advantage of American workers, particularly the unemployed, if more union officials would exercise restraint in their demands. For example, every time a union official insists on unwarranted overtime or excessive

payments for his members, he is in essence denying employment to some other member of the work force. Union officials should eliminate wasteful practices such as those indicated, and perhaps others, so that we get maximum employment and economy for each dollar spent.

THE WHITE HOUSE
WASHINGTON

February 18, 1977

Bob Linder -

The President has approved the
text of the attached letter to newly
naturalized citizens, please have
prepared and returned for auto-pen
signature.

Rick Hutcheson

cc: Bob Lipshutz
Jim Fallows
Rick Hertzberg

X

THE PRESIDENT HAS SEEN.

ok
J

Dear Fellow American:

Congratulations on becoming a citizen of the United States
of America.

You are an American by choice, and that is a source of special
pride to me and to all your fellow citizens. The citizenship
you have acquired today brings you precious and hard-won
guarantees of freedom, human dignity, security, and equality
of opportunity. Your new citizenship gives you the right --
and the responsibility -- to take part in the business of our
government. The best thing you can do for your new country
is to hold strongly to these new rights and responsibilities
and exercise them as much as you can.

America has been blessed with abundant natural resources and
wealth. Yet her greatest asset continues to be her people,
in all their magnificent variety. Our founding fathers --
many of whom were born overseas -- believed that men and women
from everywhere should be able to share in the American
dream. That is why they provided for the naturalization of
citizens in the Constitution itself.

Throughout our history, naturalized citizens have made vast contributions to the progress of our nation. I am sure you will follow in this long tradition, and firmly resolve to make your new country -- our country -- an even finer place in which to live and work.

THE WHITE HOUSE

WASHINGTON

Dear Fellow American:

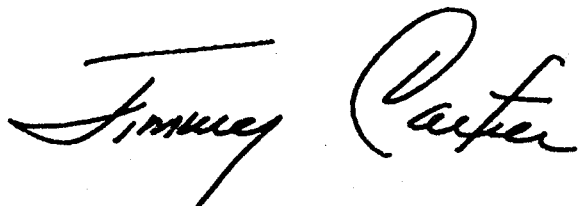
Congratulations on becoming a citizen of the United States of America.

You are an American by choice, and that is a source of special pride to me and to all your fellow citizens. The citizenship you have acquired today brings you precious and hard-won guarantees of freedom, human dignity, security, and equality of opportunity. Your new citizenship gives you the right -- and the responsibility -- to take part in the business of our government. The best thing you can do for your new country is to hold strongly to these new rights and responsibilities and exercise them as much as you can.

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Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

THE WHITE HOUSE
WASHINGTON

HOLD FALLOWS
FOR LETTER on
F121
MEMORANDUM

Date: February 15, 1977

FOR ACTION:

The Vice President
Midge Costanza Jack Watson
Stu Eizenstat *Jim Fallows
Hamilton Jordan
Bob Lipshutz Zbigniew Brzezinski
Frank Moore
Jody Powell

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Letter from the President to the
American People on Citizenship.

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME: 11:00 A.M.

DAY: Thursday

DATE: February 17, 1977

ACTION REQUESTED:

☒ Your comments

Other:

STAFF RESPONSE:

☐ I concur.

☐ No comment.

Please note other comments below:

Please return comments to Jim Fallows.

*Note to Jim - Please write a final draft based on the attached.
Senior Staff will get comments to you by Thursday.

Thanks
Rick

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE
WASHINGTON

TO Rick Hutchison
Please "stuff"
the attached +
then send final,
approved letter
to Mr. Giuliani.

2/12/77 RJA

Date: February 15, 1977

MEMORANDUM

FOR ACTION:

The Vice President
Midge Costanza Jack Watson
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Hamilton Jordan
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Frank Moore
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THE WHITE HOUSE
WASHINGTON, D. C.

Dear Fellow American:

I congratulate you on becoming a citizen of our great nation.

Of very special importance is the fact that while many of us are citizens by birth, you have by choice selected America as your new land. The citizenship you have acquired today brings to you even greater guarantees of freedom, human dignity, security, equality and opportunity than those offered in the past. Your new citizenship gives you the right and also the responsibility to take part in the business of our government. I know you will hold strongly to these new rights and responsibilities and exercise them at every opportunity.

America has been blessed with almost boundless natural resources and wealth. Yet, its greatest asset continues to be its people. Our founding fathers had great faith in the worth of the individual. They believed that people from everywhere who loved freedom and justice should be entitled to enjoy these rich blessings. Thus they provided in the Constitution for the naturalization of such persons.

Naturalized citizens from all lands have made significant contributions to the betterment of our nation. I am sure that you will follow in this tradition and firmly resolve to do your part in making America an even more wonderful place in which to live.

energy crisis...

Date:

February 15, 1977

MEMORANDUM

FOR ACTION:

The Vice President
Midge Costanza Jack Watson
Stu Eizenstat *Jim Fallows
Hamilton Jordan
Bob Lipshutz Zbigniew Brzezinski
Frank Moore *FM*
Jody Powell

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MEMORANDUM

NATIONAL SECURITY COUNCIL

#706

February 16, 1977

MEMORANDUM FOR: RICK HUTCHESON
FROM: Michael Hornblow *MH*
SUBJECT: Proposed Letter from the President
to the American People on Citizenship

The NSC Staff has no objection to the Proposed Letter from the President to the American People on Citizenship.

Date:

February 15, 1977

MEMORANDUM

FOR ACTION:

The Vice President
Midge Costanza Jack Watson
Stu Eizenstat *Jim Fallows
Hamilton Jordan
Bob Lipshutz Zbigniew Brzezinski
Frank Moore
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Other:

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☐ I concur.

☐ No comment.

Please note other comments below:

Please return comments to Jim Fallows.

*Note to Jim - Please write a final draft based on the attached.
Senior Staff will get comments to you by Thursday.

Looks fine to me.
JRP

Thanks
Rick

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Date:

February 15, 1977

MEMORANDUM

FOR ACTION:

The Vice President
Midge Costanza ~~Jack Watson~~
Stu Eizenstat *Jim Fallows
Hamilton Jordan
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Frank Moore
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Other:

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Date: February 15, 1977

MEMORANDUM

FOR ACTION:

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Naturalized citizens from all lands have made significant contributions to the betterment of our nation. I am sure that you will follow in this tradition and firmly resolve to do your part in making America an even more wonderful place in which to live.

THE WHITE HOUSE
WASHINGTON



cc
HT

THE WHITE HOUSE
WASHINGTON

February 18, 1977

Ham Jordan

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Jim Billington for Arts &
Humanities

February 18, 1977
3:40 p.m.

Mr. President THE PRESIDENT HAS SEEN.

Father Ted Hesburg called to put in strong recommendation and urging that you appoint Jim Billington to Arts & Humanities. He said that he knows Billington who apparently was up for the presidency of Princeton... has lectured at Notre Dame...is a Rhodes Scholar...enjoys a high regard within the academic community.

While Father Hesburg does not know Al Stern, he thinks Billington would be 1000% better. He said that if you put in Stern, who does not have his doctorate, it would be like having someone without a doctorate at the National Science Foundation.

Father Hesburg thinks the academic community is very touchy, and if you put in a man who was not really qualified it would be very sticky.

The man there before was a good guy, but there were squabbles during the last 6 months. He thinks if you put someone in that position now to whom the academic community was not receptive, you would be doing yourself a disservice.

Father Hesburg also said to give you a large hello. He thinks you're doing a great job.

-- SSC

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

February 18, 1977

Stu Eizenstat -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Briefing Notes on U.S.
Domestic Developments

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

February 18, 1977

MEMORANDUM FOR:

THE PRESIDENT
VICE PRESIDENT

FROM:

STU EIZENSTAT

SUBJECT:

Weekly Briefing Notes on U.S. Domestic
Developments

Attached is the summary of the Weekly Briefing Notes
for February 14, 1977.

**Electrostatic Copy Made
for Preservation Purposes**

*Stu - This is the
driest report I've ever
had to read. A
dictionary would be
more interesting.
Let someone assess it
& give me the signi-
ficant points,
data, trends, etc.
each week. J.C.*

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

February 17, 1977.

MEMORANDUM FOR:

THE WHITE HOUSE STAFF

FROM:

STU EIZENSTAT

SUBJECT: Summary of Weekly Briefing Notes on U.S. Domestic Developments

*Total RETAIL SALES in January were estimated at \$56.60 billion, down 2.0% from December. This is the largest monthly decline since March 1975. However, excluding automotive sales, total sales declined only 0.9%. Sales of nondurables fell 1.4% after 5 consecutive monthly increases while durable sales dropped 3.2% after increasing 3 straight months. Automotive dealer sales fell 6.0% in January.

*TOTAL SALES OF MERCHANT WHOLESALERS increased 0.9% in December 1976 to \$41.17 billion, the second highest level on record. Non-durable sales increased 0.4% in December to \$22.88 billion, the first increase in 3 months. Durable sales rose for the second consecutive month, up 1.6% to a new high of \$18.30 billion. The December advance was led by increases in motor vehicles and automotive equipment and in electrical goods.

*Total INVENTORIES of wholesale merchants decreased 0.1% from November's record high. TOTAL EXPORT SALES OF DURABLE GOODS rose 8.3% in December. The largest increase in export sales of durable goods in December were reported in the machinery and aircraft and parts industries.

*The WHOLESALE PRICE INDEX for all commodities increased 0.5% in January 1977, up 4.8% from a year ago. The FARM PRODUCTS INDEX increased 1.1% in January, up 0.4% from January 1976. n.b. Prices for most commodities were those in effect as of January 11, 1977, and may not reflect the full impact brought about by recent severe winter weather. Seven of the 13 major components of the industrial commodities index reported larger increases in January 1977 than for December; fuel and related products and power declined for the second consecutive month after 6 months of large increases.

*SALES OF NEW ONE-FAMILY HOUSES increased 6.4% in December following October and November decreases. The inventory of houses for sale at the end of December edged upward 0.9% to 435,000 units. The MEDIAN SALES PRICE for new one-family houses increased for the fourth consecutive month, rose \$600 to \$46,400. There were 635,000 new one-family houses sold in the U.S. during 1976, 16.7% more than in 1975. The largest percent increase was in the West while the number sold in the Northeast was virtually unchanged from 1975. The inventory of new one-family houses for sale at the end of

1976 was 444,000 units or 14.9% above the 1975 level. The MEDIAN SALES PRICE OF NEW ONE-FAMILY HOUSES sold in the U.S. in 1976 was \$44,200, up \$4,900 from 1975. The largest increases in median sales price occurred in the West and North Central U.S. Housing units completed declined 4.7% in December. For the year 4.4% more units were completed than 1975. Housing units under construction increased 2.5% to a seasonally adjusted rate of 1,193,000 units.

*The nation's BASIC MONEY SUPPLY edged up \$0.2 billion for an average of \$311.7 billion during the week ending February 2, 1977, following two weeks' decline. The volume of NEW CREDIT EXTENDED rose sharply from November while the increase in liquidations was less pronounced, resulting in a larger net expansion for December. (Extensions rose 6.0%, liquidations rose 2.5%) Consumer installment credit outstanding increased by \$1.82 billion in December, the largest advance since July, 1973. Automobile credit led the gain, nearly 14.0% in December. The advance in credit outstanding more than doubled November's gain. Credit extended through bank credit cards rose to \$2.22 billion, or 1.7% increase; liquidations rose 6.6% to \$2.25 billion.

*In 1976, 80.0% of all children under 18 years old lived with both parents, a decline from 84.9% in 1970. Between 1960 and 1976, the estimated median age at which young men and women first marry increased by 1 full year. In this same period, there was a notable increase in the percent of men and women 20 to 24 years old still single. Divorce and separation has continued to increase, rising 6.9% in 1970 to 11.8% in 1976.

*Twenty-two States reported no influenza-like activity as of Jan. 28, 1977; a widespread outbreak was reported only in New Jersey.

*EMPLOYMENT: Nearly one-third of all employed persons reported their occupation as clerical or operative. Craft workers and operatives made up the largest proportions of male worker while clerical workers and service workers made up the largest proportions of female workers. Service workers and operatives made up the largest occupational groupings among Blacks while clerical workers and professionals were the largest groupings among Whites. In 1976, self-employed workers accounted for 8.4% of employed persons, down from 17.6% in 1950. Between 1947 and 1976, total employment in non-agricultural establishments increased by 35.23 million. Employment in service-producing industries more than doubled while employment in goods-producing industries increased about 25% for this same period. Employment in service, government, and finance, insurance, and real estate more than doubled between 1947-76; employment in wholesale and retail trade increased by 95.3%; transportation and public utilities employment showed the slowest growth over the past 20 years; employment in manufacturing rose by 21.9%; construction employment increased by 70.0%.

*UNEMPLOYMENT: Unemployment among all age, sex, and race groups declined from 1975 except for Black and other teenagers. However, between 1954 to 1976, unemployment for all groups increased. In 1976, almost one-fifth of the unemployed were Black and other races; the unemployment rate among Black and other teenagers was more than double that of White teenagers. Between 1954-76, unemployment among all groups increased but for black and other teenagers it increased the fastest,

up 20.6%. For Black and other adult males for this period, unemployment increased at the slowest pace, up 0.7%.

*In 1976 unemployment for total nonagricultural workers was equal to that of manufacturing, and about half of the construction industry's rate. All registered sharp declines from 1975 levels. Blue-collar unemployment between 1975-76 declined sharply (2.3%) while white-collar unemployment edged down 0.1%. Unemployment among service workers and farmers and farm laborers increased from 1975 to 1976, 0.1% and 1.0% respectively.

*In 1976, about 70% of the unemployed men 20 years old and over have lost their last job, compared with 44% among women. More than one-third of the unemployed women were reentrants to the labor force. New entrants accounted for about 40% of unemployed youths, 16 to 19.

*Since 1947, the largest proportion of the unemployed has always been those out of work less than 5 weeks. The average duration of unemployment reached its highest level in 1976, 15.8 weeks. (Previous high-15.6 weeks in 1961) After declining in 1973 and 1974, average duration rose for 2 straight years, up a total of 5.9 weeks.

*PER CAPITA PERSONAL INCOME in the U.S. increased 8.5% in 1974 to \$5,449. Per capita income increased 6.2% in non-SMSA counties to an average of \$4,444, 18.4% below the national average. Per capita income grew 9.2% in SMSA counties to \$5,813, 6.7% above the national average. The highest per capita income in 261 metropolitan areas ranged from a high of \$7,781 in Bridgeport-Stamford-Norwalk-Danbury, Conn. (42.8% above the national average) to a low of \$2,857 in McAllen-Pharr-Edinburg, Tex. (about half of the national average).

THE WHITE HOUSE
WASHINGTON

February 18, 1977

Bob Lipshutz -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Maine Land Dispute

THE WHITE HOUSE
WASHINGTON

cc
Higginbotham

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

February 18, 1977

*Bob - ok -
Assist me
J*

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ *DLB* *RF*
DOUG HURON

RE: Maine Land Dispute

The Passamaquoddy and Penobscot tribes in Maine have asserted title to some 8-10 million acres, about 60 per cent of the land in the state. Some 300,000 non-Indians reside in the disputed territory, the majority of whom own small improved parcels along the coast. The land in the interior generally consists of very large unimproved tracts owned for the most part by timber companies.

The Court of Appeals has ruled that the United States, as trustee for the tribes, has a statutory responsibility to pursue their claim to the extent it has merit. Justice presently has a March 1 deadline to file a statement of its position with the court.

In what appears to be a breakthrough, Justice, Interior and the tribes have reached agreement that Justice should eliminate the coastal area from the claim being pressed on behalf of the tribes, and should so announce to the court on March 1. The tribes are also willing to substitute monetary compensation for the land of small property owners even within the claim area. In short, Justice will announce March 1 that it is proceeding on a major landholder theory and that it will not be actually filing its action before June 1. The announcement should clear title for homeowners along the coast, where most of the inhabitants of the claim area reside.

The tribes view appointment of a mediator acceptable to all parties--who would work toward resolution of the land claim in the interior--as a critical element in this package. We agree. The mediator should be selected before Justice announces its position publicly on March 1; we are prepared to assist in identifying a mediator.

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

February 18, 1977

*JC
has from
Lipshutz*

MEMORANDUM FOR THE PRESIDENT

FROM:

BOB LIPSHUTZ
DOUG HURON

DLH RJ

RE:

Maine Land Dispute

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THE WHITE HOUSE
WASHINGTON

February 18, 1977

Frank Moore -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re: Congressional Mail

THE PRESIDENT HAS SEEN.

MAIL SUMMARY 2/18/77

CONGRESSIONAL MAIL TO THE PRESIDENT

PAGE

-1-

<u>FROM</u>	<u>SUBJECT</u>	<u>DISPOSITION</u>	<u>COMMENTS</u>	<u>SIGNATURE</u>
Rep. William Wampler	Requests FDMA assistance to livestock producers in Va. for emergency feed.	SE		
Rep. Austin Murphy	Supports Gov. Shapp's request for disaster designations in Pa.	SE		
Sen. Robert Griffin	Supports Gov. Milliken's request for disaster designations in Mich.	SE		
Sen. Birch Bayh	Concerned about inadequate disaster assistance in Indiana.	SE		
Sen. Don Riegle	Supports Gov. Milliken's request for disaster designations in Mich.	SE		
Sen. Hubert Humphrey	In response to your letter, submits name of candidate for solar A/Admin. at ERDA.	ack/JS		
Michigan Delegation	Supports Michigan site for SERI (Solar Energy Research Institute).	ack/JS		
Rep. Louis Frey	Believes White House Office of Telecommunications Policy should be maintained separately from OMB or WH Office of Science & Technology Policy.	ack/SE		
Rep. Bill Hughes	Forwards letter from constituents and supports federal loan guarantees for solid waste energy recovery systems.	ack/JS		
Rep. Phil Burton	Supports greater participation in Administration by Asian and Pacific Basin Americans.	ack		

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MAIL SUMMARY 2/18/77

CONGRESSIONAL MAIL TO THE PRESIDENT

PAGE

-2-

<u>FROM</u>	<u>SUBJECT</u>	<u>DISPOSITION</u>	<u>COMMENTS</u>	<u>SIGNATURE</u>
Rep. Charles Vanik	Believes Hungarian Crown of St. Stephens which U.S. has held since WWII should be returned to Hungarian people.	ack/ZB		
Sen. John Sparkman	Recommends J. A. Kyser for Federal Farm Credit Board.	ack/JK		
Sens. Robert Byrd, Jennings Randolph	Recommend retention of Donald W. Whitehead as Federal Cochairman of Appalachian Regional Commission.	ack/JK (cc:HJ)		
Sen. Howard Metzenbaum	Recommends Dayton Mayor James H. McGee for Ambassador to Liberia.	ack/JK		
Sen. Harrison Williams	Recommends Thomas C. Southerland, Jr. for Board of Directors of AmTrak.	ack/JK		
Rep. Stewart McKinney	Recommends three individuals: Hobart C. Jackson for special adviser on Aging; Franklin R. Olliverre; Percil Stanford.	ack/JK		
Sen. Birch Bayh	Recommends Dr. Arnold Brown for Director of National Cancer Institute.	ack/JK		
Rep. Gus Yatron	Recommends Dr. Adolph S. Butkys for consumer-related position.	ack/JK		
Rep. Goodloe Byron	Recommends G. Hunter Bowers for U.S. Metric Board.	ack/JK		
Sen. Mike Gravel	Recommends Dan Newman for Regional CSA Director.	ack/JK		

3/15 - Comment

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MAIL SUMMARY 2/18/77

CONGRESSIONAL MAIL TO THE PRESIDENT

PAGE -3-

<u>FROM</u>	<u>SUBJECT</u>	<u>DISPOSITION</u>	<u>COMMENTS</u>	<u>SIGNATURE</u>
Sen. Harrison Williams	Supports reappointment of Charles Luna to Board of AmTrak.	ack/JK		
Rep. Carl Pursell	Recommends retention of Dr. Andrew Adams as Cmstr. of Rehab. Svcs. Admin.	ack/JK		
Sen. Dewey Bartlett	Recommends Dr. Lee P. Brown as Adminr. of IEAA.	ack/JK		
Rep. Gillis Long	Supports Charles S. Bollinger for Chmn. of Federal Home Loan Bank in Little Rock.	ack/JK		
Sen. Don Riegle	Recommends Donald M.D. Thurber for Ambassador.	ack/JK		
Rep. James Abdnor	Forwards National Tribal Chairman's Assn. support for WH Asst. for Indian Affairs, and recommendation of Wendell Chino for that job.	ack/JK		
Rep. Billy Evans	Thanks for ride on Command plane; also would like information on public appointments.	TK		
Rep. Benjamin Rosenthal	Conf. on Soviet Jewry would like you to participate in Solidarity Sunday, May 1, New York.	FV		
Sen. Gaylord Nelson	American Correctional Assn. wants you to appear at 107th Congress of Corrections, August, Milwaukee.	FV		
Rep. Thomas A. Luken	Indorses invitation by Univ. of Cincinnati and EPA for seminar during your tour.	FV		

MAIL SUMMARY 2/18/77

CONGRESSIONAL MAIL TO THE PRESIDENT

PAGE -4-

<u>FROM</u>	<u>SUBJECT</u>	<u>DISPOSITION</u>	<u>COMMENTS</u>	<u>SIGNATURE</u>
Rep. Thomas Kindness	International Board of Key Club would like you to address their convention, Kansas City, July.	FV		
Sen. Jennings Randolph	"	FV		
Rep. Haroley Stagers	"	FV		
Rep. George Brown	Invitation to address Helioscience Inst. Conference, May, Palm Springs, Calif.	FV		
Sen. Jennings Randolph	Invitation to deliver Commencement address at W.Va. School of Osteopathic Medicine, June.	FV		
Rep. Bill Gradison	Endorses invitation to appear at Univ. of Cincinnati and EPA seminar during nationwide tour.	FV		
Sen. Dennis DeConcini	Invitation to speak at testimonial dinner for LULAC national president, March, Scottsdale, Ariz.	FV		
Sen. Howard Baker	Forwards letter from retarded young man who has learned the Gettysburg Address and would like to recite it for you.	Ref.		
Rep. Larry McDonald	Forward letter from constituent.	Ref.		
Various Members	One Anniversary, two birthday requests; two requests for autographs	GC DGC		

THE WHITE HOUSE
WASHINGTON

February 18, 1977

Jack Watson -

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Re; Sec. Marshall's memo re
Keeping in Close Touch with
American People

THE WHITE HOUSE
WASHINGTON

The attached is forwarded to
you for your information.

The Vice President

Midge Costanza

Stu Eizenstat

Hamilton Jordan

Bob Lipshutz

Frank Moore

Jody Powell

Jack Watson

Rick Hutcheson

THE WHITE HOUSE
~~WASHINGTON~~

Mr. President:

Information copies of the
attached have been circulated
to your senior staff.

Rick

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

February 17, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: JACK WATSON *Jack*
RE: MEMORANDUM FROM SECRETARY MARSHALL

Secretary Marshall's memorandum describing his efforts to keep in close touch with the American people is extraordinarily good.

Do you want to circulate it to the Cabinet?
I think we should.

**Electrostatic Copy Made
for Preservation Purposes**

Attachment

*Jack - It's hold
good - let's
until others are in - then
distribute computer list
J*

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

February 15, 1977

MEMORANDUM FOR THE PRESIDENT

Ray Marshall

FROM: THE SECRETARY OF LABOR

SUBJECT: Keeping in Close Touch with the American People

All my efforts in this direction will have two primary purposes:

1. To increase my understanding of the operations of the Labor Department and to become more sensitive to the concerns of the unemployed, working men and women and other special constituency groups of the Department;
2. To play a symbolic role in assuring the unemployed and other such special constituency groups that this Administration cares about them.

What has been done so far

During the first week in February I made walking tours of nine different divisions of the Labor Department here in Washington. The tours were informal and provided much spontaneous contact with Department employees at all levels. This was reportedly the first time a Secretary of Labor did this sort of thing since the era of Willard Wirtz--who did it only to say farewell before leaving office. I intend to ask the assistant secretaries to do the same thing in their divisions.

I've begun to visit Labor Department projects outside of Washington, as well. On February 12, I toured a Job Corps center outside of Austin, Texas. While in Bal Harbour, Florida, for the AFL-CIO Convention in mid-February, I did set aside time to learn about the problems of migrant workers in the Florida citrus industry. I will visit an unemployment office in Homestead, Florida, which serves the migrants and inspects the Everglades Labor Camp in Florida City.

I have also met with a number of labor, business, and minority groups in and outside of Washington, and I plan to continue to be as accessible to such groups as time allows.

Projects for the future

I believe that it is important for the morale of the Labor Department to continue such projects as walking tours of offices and inspections of Department facilities. The Secretary of Labor has in the past been so insulated from the career employees in the Department that projects like these--although far from original--can have a tremendous impact.

But for the long-term, I intend to carry out a variety of efforts that will be significantly more substantive than visiting offices or shaking hands on the unemployment lines. I also realize the limitations of endless general tours of Labor Department facilities because they can easily teach you far more about buildings than the people who work in them.

Here are some projects I intend to carry out in the months ahead:

good

- - - In addition to talking with Labor Department officials at all levels, I will also personally perform (or spend a day with someone who does perform) some of the functions of the Department--particularly those which involve close contact with the American people. For example, I may spend a day as an OSHA inspector, or as an intake case-worker at an unemployment office, or as a job counselor at the U.S. Employment Service. Other ideas might be to accompany the interviewers who provide the raw data for the unemployment statistics or to handle intake interviews for people applying for CETA jobs.

The philosophy behind these ideas is the strong belief that you learn far more by actually doing things than by just talking to the people who do them. For example, a day with an OSHA inspector will help me to better assess the validity of business complaints about the agency. Another benefit would be an enhanced understanding of OSHA manpower needs and enforcement priorities.

**Electrostatic Copy Made
for Preservation Purposes**

- - - Equally important as a goal is to keep in touch with what I consider to be the most important constituency group of the Department--the unemployed, the underemployed and those who consider themselves trapped in dead-end jobs. Clearly, the unemployed (except for certain unionized workers facing what they know will be short-term layoffs) are among the most disaffiliated people in America. They feel--with some justice--that no one speaks for them, that their problems are unique. That is why it is important to talk with them as individuals, rather than deal exclusively with groups that purport to represent their interests. The answer to this problem must be more substantive than weekly visits to the unemployment lines. Such visits are apt to produce diminishing returns because they are not the best forum for extended conversations and because it is hard to talk simultaneously with unemployed factory workers, out-of-work Vietnam vets and jobless Ph.D's without producing more confusion than focused discussion.

A far better solution is to talk with articulate representatives of various categories of the unemployed. This would not only provide them with a measure of symbolic reassurance, but also they may have some provocative suggestions about ways that the Federal government could ease their plight. Below are several ways I intend to assemble small groups of the unemployed to talk with:

- - - The unemployment system's computers can be used to randomly generate the names of small groups of those receiving unemployment benefits. (This would cause no legal or invasion of privacy problems). The idea would be to select small groups with common characteristics. For example, I could speak with unemployed young blacks in Los Angeles, out-of-work teachers in Boston and jobless women over 50-years old in Milwaukee. The idea would be to get 20 names of unemployed with common characteristics in a city that I will be visiting, then call them and see how many of them would like to meet with me for a few hours. (On a more grandiose level, groups of the unemployed could be assembled in a similar fashion nationally and flown to Washington for consultations. I suspect that some of them would be worth more than many \$150/day consultants currently hired by the government).

I believe that this idea--or any modification of it--is better than Town Meeting presentations in dealing with the unemployed. Open meetings tend to attract erstwhile community leaders and self-appointed spokesmen, rather than the more typical unemployed. It is the personal invitation, rather than a general meeting announcement that will attract a more representative sample of the millions out of work.

- - - Another way to assemble similar groups without using the unemployment system is to place ads in the "Help Wanted" sections of various newspapers. (Most papers would probably print them free as a public service). Again, the ads could stress specific occupational categories of the unemployed--nurses, bricklayers, computer programmers, etc. A random group could be selected from the mail responses. Or more articulate groups could be assembled by asking the respondents to briefly outline what they want to say and then choosing on the basis of coherence and originality.

The uses of speeches and meetings

Simultaneously, I will also try to keep myself and the Department's activities visible and accessible to both business and labor through a judicious selection of speaking engagements before both types of groups. For example, within the next six weeks I will be meeting with various trade union officials at the AFL-CIO convention, speaking before the National Association of Manufacturers and attending conferences of such groups as the American Arbitration Association and the Federal Apprenticeship Committee. It is my custom to make myself accessible for questions after I finish speaking. And I am making strenuous efforts to screen these invitations so that I appear in all sections of the country and before as wide a range of groups as possible.

In closing, let me just note my awareness that my primary job is to administer the Labor Department and to stress that none of these other activities will occupy so much time that they will hinder effective management of the Department.

THE WHITE HOUSE
WASHINGTON

February 18, 1977

Z. Brzezinski*

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

*Secretary Vance & Secretary Brown
thru Z. Brzezinski
cc: Frank Moore (for handling
delivery of President's note)

Re: Scoop Jackson's SALT Memo

original
Frank Moore
faded very

THE WHITE HOUSE
WASHINGTON

CC:

Dr2
VANCE

✓ Brown

Turn Br2

copy of
memorandum to
Stuppang

THE WHITE HOUSE
WASHINGTON

2-17-77

To Scoop Jackson

Your SALT memorandum
is excellent, and of
great help to me.

I will stay in touch
with you concerning future
developments. Thank you!

Jimmy

JOHN C. STENNIS, MISS., CHAIRMAN
STUART SYMINGTON, MO.
HENRY M. JACKSON, WASH.
HOWARD W. CANNON, NEV.
THOMAS J. MCINTYRE, N.H.
HARRY F. BYRD, JR., VA.
SAM NUNN, GA.
JOHN C. CULVER, IOWA
GARY HART, COLO.
PATRICK J. LEAHY, VT.
T. EDWARD BRASWELL, JR., CHIEF COUNSEL AND STAFF DIRECTOR

STROM THURMOND, S.C.
JOHN TOWER, TEX.
BARRY GOLDWATER, ARIZ.
WILLIAM L. SCOTT, VA.
ROBERT TAFT, JR., OHIO
DEWEY F. BARTLETT, OKLA.

THE MEMORANDUM WAS SEEN.

United States Senate

COMMITTEE ON ARMED SERVICES

WASHINGTON, D.C. 20510

Jusan. Return
orig to me -
J

~~CONFIDENTIAL~~

February 15, 1977

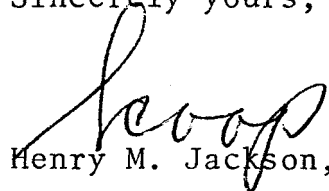
cc: Vance
Brown
Brzezinski
Please comment.
J.C.

The President
The White House
Washington, D.C.

Dear Mr. President:

In accordance with our discussion at the White House breakfast on Friday, February 4 I am enclosing a memorandum addressed to you on SALT, together with a summary comment. I will of course be pleased to discuss with you personally these important matters.

Sincerely yours,


Henry M. Jackson, U.S.S.

Enclosure

DETERMINED TO BE AN ADMINISTRATIVE

MARKING BY 60 DATE 1/31/07

MEMORANDUM FOR THE PRESIDENT ON SALT

Summary Comment

In what follows I have tried to review those SALT issues that will determine the success of your administration in realizing its goal of reducing dependence on the resort to nuclear destruction while providing for the security of our country and its allies.

A sound SALT agreement could be an important element in your efforts to achieve this goal; an unsound agreement could impair those efforts and make that goal more remote.

It is essential to remember that not all negotiable agreements are in our interest; that some agreements may be worse than none; that the failure to obtain an agreement now does not necessarily foreclose the possibility of doing so in the future; and that an unsound agreement now could make it difficult or impossible to obtain a sound one later.

The previous administration often forgot these obvious truths. Too often it persuaded itself that its choice had narrowed to a risky agreement on Soviet terms or no agreement at all. Too often it lost sight of the goals that a sound SALT agreement could promote; often agreement itself became its goal.

The previous administration helped to create a climate of urgency that made it difficult to think carefully about these complex issues. Cliches about the spiraling "arms race" have obscured the fact that we have been spending and doing less while the Soviets were spending and doing more. Despite a general impression to the contrary, the U.S. strategic budget actually peaked in the 1950's and declined from then until FY 1976. Indeed, from FY 1961 to FY 1976 the U.S. strategic budget declined at an average annual rate, in constant dollars, of eight percent -- while the Soviet strategic budget increased rapidly after 1964.

In form the SALT negotiations have been and remain bi-lateral. In substance they have come increasingly to affect our allies, particularly NATO. They affect the triangular balance among the United States, the Soviet Union and China. Success at SALT now requires intense consultations with our allies; more thorough study of our common defense requirements and the ways in which those requirements are affected by SALT; and concern for its impact on our, and the Soviet, relationship with China.

Originally SALT was intended to deal with the strategic nuclear forces of the Soviet Union and the United States. Increasingly it has come to affect the potential development of conventional defense forces and theater nuclear deployments. The negotiations have now evolved in such a way as to put at risk the most promising new approaches to the conventional defense of Europe. We can and should resist the hasty conclusion of a treaty that would permit the threat to NATO to grow graver than it now is while limiting our freedom to protect against that threat.

On an interim basis it may be possible to achieve a limited follow-on to the SALT I agreement that would neither worsen our security or that of our allies nor impede your long term efforts to achieve the goals you have set for the administration. But even this modest short-term goal will require great skill and patience and determination. I fear that you will get little help from a bureaucracy that has become increasingly committed to an improvident search for easy solutions to hard problems.

Both in this memorandum and elsewhere I have discussed the issue of serious reductions of strategic forces. I believe that carefully negotiated reductions, if they do not require the sacrifice of essential security interests, could do much to promote our goals. This is a complex subject and one that requires elaboration, perhaps in a follow-on to this memorandum.

I believe that the Congress will support you in your effort to take the time that is necessary to avoid hasty decisions or truncated negotiations against deadlines that work to the advantage of the Soviet Union. I am confident that you will get our strong support for a long-term effort to design defense and negotiating policies that stand a fair chance of realizing your goals.

I believe that this memorandum approaches these issues in a deliberate and thoughtful manner. It is the product of a careful review by me and some hard work by my staff. Much of what I have had to say is in conflict with much of the advice that you will receive from executive departments which, even now, are largely following the path of the previous administration. I welcome the further opportunity to elaborate these ideas and to continue to provide an essential perspective that I am persuaded you ought to have.

MEMORANDUM FOR THE PRESIDENT ON SALT

	Page
I. The Criteria for a Sound SALT Agreement.	2
II. SALT Agreement Criteria and the Soviet Position. .	4
III. Near-term Follow-on to the SALT I Interim Agreement.17
IV. Negotiating Tactics.20

February 15, 1977

MEMORANDUM FOR THE PRESIDENT ON SALT

The national security goals I understand your Administration has set for itself are to protect our own safety and that of our allies as economically as we can, and with less dependence on the resort to nuclear weapons; and to limit the spread to more countries of nuclear explosives. These are goals that I and my colleagues in the Congress firmly share. Achieving them will require persistence, imagination and realism, both in negotiation and in the design of our military forces. We will not succeed if we ignore the worsening situation of our own defense posture and that of our allies, or by trying to substitute the threat of a suicidal nuclear attack for measures to improve and protect our forces. We cannot reduce our dependence on nuclear weapons unless we overcome an inferiority in conventional arms that is increasingly dangerous. And we cannot succeed in these goals by claiming that superiority in the hands of our adversaries is meaningless.

Realistic agreements with potential adversaries might usefully supplement, but they can hardly supplant, our own and allied efforts to increase the safety of our common defense. The Soviet Union may share some of our purposes; surely it does not share all. Whether it will accept and abide by restraints that would make its security less dependent on threats of nuclear devastation remains, in any prudent judgment, to be proven.

One critical test will come in the attempt to negotiate agreements that genuinely constrain the growth of Soviet power as well as that of the United States. Such a test could fail in two distinct ways. First, by advancing unwise proposals or relying on misplaced optimism, we could offer to the Soviet Union terms which, because they adversely affect the military balance, would endanger our interests, the interests of our allies, and our ability to contain or diminish the risks of war. Second, the Soviet Union could prove unwilling to agree to terms we wish to achieve, or we, through short-sightedness or unwarranted risk-taking, or a failure of resolve could confer on the Soviets military advantages that they would be tempted to exploit--and whose exploitation would increase rather than diminish the role of military power in shaping our future.

Agreements that failed to achieve their intended effect, particularly in the area of arms control, are the stuff of history and of history's most tragic moments. The danger continues to exist that we, like the allied powers in the 1930's, will slide into a series of improvident risks, no one of which is in itself large enough to arouse concern, but the cumulative result of which could be irreversible by political means and cause the very resort to force that it is our desire to avoid.

It is, in my judgment, worth repeating the obvious truth that not all negotiable agreements are in our interest; that some agreements are worse than none; that the failure to obtain an agreement in the present does not necessarily foreclose the possibility of doing so in the future; and that not all of our interests can be assured, or even enhanced, by agreements with an adversary which in important respects, remains hostile to our interests.

Too often the previous administration persuaded itself that its choice had narrowed to, on the one hand, a risky and unbalanced agreement based on acquiescence to Soviet demands; or, on the other hand, no agreement at all. However valid that dichotomy might appear at any given moment, it is almost never so from a longer perspective. Where the basis for a genuinely stabilizing agreement exists, it is worth waiting for. Where it does not, the hasty acceptance of an unsound agreement will only make the genuine article more remote.

In what follows I have tried (1) to identify the criteria for a sound agreement, (2) to measure recent Soviet and U.S. proposals against those criteria, and (3) to outline the minimum requirements for a near-term follow-on to the SALT I interim agreement. I have tried also (4) to set forth some observations on the tactics of negotiation that in my judgment are best calculated to achieve what I understand to be our common purpose.

I. THE CRITERIA FOR A SOUND SALT AGREEMENT

Any discussion of the criteria for a sound agreement must begin with this observation: that as negotiations proceed, and in the process of making Presidential decisions about the course we wish them to follow, a sense of our fundamental objectives is easily obscured or even lost. The very process--the endless tinkering with options; the inevitable concern with essentially small points (which appear, at the time, larger than life); the natural desire to make "progress" by narrowing differences; the approach of deadlines--this very process so crowds one's field of vision as virtually to exclude a steady view of our fundamental purposes, objectives

and criteria. What counts most is most easily counted out. We readily forget that sound agreements are based on sound purposes--in this case, to achieve safety with reduced dependence on nuclear threats--as agreement itself becomes our goal and signatures alone our purpose.

In the effort ultimately to reduce our dependence on nuclear weapons, a SALT II agreement should not:

- ## Impair our security by increasing the vulnerability of our strategic forces, or decreasing their controllability, or the credibility that they could and would be responsibly used if necessary to defend against attack;
- ## Foreclose promising programs and approaches for maintaining the equilibrium of regional force balances or enhancing our ability to deter conventional attack by conventional means;
- ## Fail to admit of adequate verification that can be demonstrated clearly and without compromising our sources and methods of intelligence collection;
- ## Discourage research and development, especially with respect to weapons whose deployment is constrained or banned;
- ## Leave the United States vulnerable to the rapid acquisition of a significant Soviet advantage if the agreement is abrogated or violated;
- ## Increase the vulnerability of our allies (or of other nations whose resistance to Soviet military pressure is important to us), either by impairing our ability to assist in their defense or by channeling the growth of Soviet military capabilities into regional or conventional forces;
- ## Confer or legitimize an impression of Soviet superiority that could be exploited to our political disadvantage;
- ## Alter the terms of what must be assumed to be a continuing competition in a direction adverse to the United States, by prohibiting new systems that could more economically

achieve reduced vulnerability and greater controllability or counter Soviet systems unconstrained by the agreement.

Foster illusions that we or our allies can reduce our defense effort or that the strategic and conventional military balances are self-maintaining.

Establish harmful precedents for future agreements or prematurely limit U.S. systems so as to reduce Soviet incentives for future limitations on their own forces.

By identifying those results that a sound agreement must not produce, I have purposely stated the most important criteria in the negative. Given the momentum of the Soviet build-up of offensive forces and the weight of the burdens resulting from actions and decisions of the previous administration, it is perhaps too much to expect that we can realize the positive obverse of all, or even many, of these criteria.

Obviously, an ideal agreement, as distinguished from a merely sound one, would enhance our security. It would reduce the vulnerability of our strategic forces; it would open the door to programs and approaches that can strengthen our conventional defense capability; it would discourage illusions that we can relax our vigilance, and encourage a prudent program of research and development; it would make the strategic balance less sensitive to rapid Soviet moves; it would reduce the vulnerability of our allies and confer an impression of American resolve; it would alter the terms of competition so as to reduce the expense of maintaining an adequate defense and would reduce our vulnerability to a Soviet deception effort by fostering greater openness; finally, it would establish useful precedents and strong U.S. bargaining positions for future negotiations.

While I recognize that we are unlikely to achieve all of the above, these are, I believe, the appropriate criteria by which a SALT II agreement ought to be judged.

II. SALT AGREEMENT CRITERIA AND THE SOVIET POSITION

The application of these criteria to the proposals which Secretary Kissinger made to the Soviets last January is, unhappily, a matter of more than just historical interest. After Kissinger's departure there are many in key positions in the bureaucracy--both hold-overs from the previous administration and new appointees--who advocate that we continue

down the prior negotiating track, moving still closer toward the Soviet position from the already dangerously defective Kissinger proposal of last January. Their advocacy stems in part from a failure to appreciate the dangers in such an agreement, and in part from an erroneous judgment--based on a misunderstanding of the previous administration's negotiating experience--about the kind of agreement the Russians would accept.

Last year we may have been saved from our own mistakes by Soviet expectations--encouraged by Kissinger--that we would ultimately accept the Soviet position of January 1976 in its unbalanced entirety. While there were some within the government who argued vigorously against the Kissinger proposal, I believe that only the likelihood of substantial opposition within the Senate and a changing public mood persuaded President Ford to abandon the effort to conclude an agreement that would have been essentially on Soviet terms prior to the election.

The Soviet Proposal

The terms which the Soviets have proposed, and which many in the previous Administration (as well as your own) seem prepared to accept, include:

- ## a continuation of the 1972 freeze on modern large ballistic missiles, which allows the Russians more than 300 heavy SS-9 and SS-18 ICBM's to our 54 ancient Titan II's.
- ## a definition of "light" missile that would have included the new Soviet SS-19--a missile with three times the throw-weight of our own Minuteman III and which is clearly "heavy" according to the U.S. unilateral statement on the basis of which the Senate approved the 1972 SALT accords;
- ## a provision that would count heavy bombers equipped with cruise missiles of ranges greater than 600 kilometers as MIRVed vehicles subject to the 1320 ceiling;
- ## a ban on cruise missiles of ranges greater than 600 kilometers on submarines, surface ships, aircraft other than heavy bombers, and land launchers;

a definition of heavy bomber that would exclude the Soviet Backfire bomber from SALT limitations, except for some largely unverifiable or ineffective assurances that this airplane would not be given an enhanced capability against targets in the continental U.S.;

a treatment of mobile missiles that would have left Soviet deployment of mobile IRBM's unconstrained, but would probably have banned mobile ICBM's (although the Soviet position on the latter point remains undefined).

The Consequences of Such an Agreement

In my judgment, the conclusion of such an agreement would have had serious adverse consequences for the interests of the United States and its allies and for the cause of arms control then and in the future.

(1) Perhaps the most serious consequence of such an agreement would be its adverse effects on the balance of non-strategic weapons in vital regions where the Soviets already enjoy an ominous and growing superiority over the United States and its allies. Primarily through the imposition of bans on long-range cruise missiles, the Soviet proposal would:

a) Prevent important improvements to NATO's conventional capabilities that would enhance our ability to deter attack by conventional means and thereby reduce our reliance on the threat of nuclear escalation.

b) Eliminate important options for reducing the vulnerability and enhancing the effectiveness of NATO's theater nuclear forces in the face of a rapidly growing Soviet theater nuclear capability (and one that would be unconstrained by such an agreement).

The modern cruise missile, as well as the emerging doctrine associated with its application to theater nuclear and non-nuclear forces, is in its infancy. Like all infants, the affection lavished upon it by its technological and

doctrinal parents is not yet shared by the neighborhood; and it is, at times, resented by its sibling weapon systems (e.g., fighter aircraft, attack helicopters and the like) and their spokesmen in the military services who rightly worry that it may perform some of their missions more effectively or at greatly lower costs. The potential of a small, relatively cheap vehicle capable of delivering a weapon to within tens of feet of its target over even very long ranges is only dimly perceived. But if service parochialism or unwise SALT agreements do not strangle it in its infancy, the cruise missile could provide improvements of fundamental importance in our conventional posture.

This is not the place for a detailed assessment of the enormous potential of cruise missiles, particularly in their most promising conventional role. Suffice it to say that with increasing study and attention it is coming to be regarded as a breakthrough in sophisticated weaponry of far-reaching implications. By providing a cheaper and less vulnerable basis for NATO's theater nuclear strike forces it could not only improve our theater nuclear posture and make it more secure but it could release dual-capable aircraft to enhance our conventional forces, even in the very near term. Further in the future, very long-range cruise missiles can be made accurate enough to deliver even conventional high explosives, thus preserving the effectiveness of NATO's conventional airpower in the face of rapidly improving Soviet air defenses. If we foreclose these options through SALT, we could weaken our conventional posture and dangerously increase our dependence on nuclear weapons as a deterrent even to conventional attack. This is certainly not what SALT was supposed to achieve.

These dangers are only now beginning to be appreciated in the United States. It comes as a surprise to many that strategic arms limitations can affect non-strategic and even conventional weapons. But there is no precise definition of what weapons are strategic, and the Soviets have consistently sought to exploit this imprecision to their advantage. The Soviet position on cruise missiles is only the most recent of many efforts to define strategic weapons in a manner which would place as many of our weapons as possible, and as few of theirs, under negotiated strategic arms limitations.

Cruise missiles were not discussed at Vladivostok. The Vladivostok aide memoire contained a reference to air-to-surface missiles on heavy bombers which our negotiators say referred only to ballistic missiles, but which the Soviets claim included cruise missiles as well. When negotiations resumed after Vladivostok, the United States specifically decided not to raise any issues that went beyond the Vladivostok aide memoire, on the doubtful grounds that doing so would impede "progress" toward an agreement.

The Soviets, to the contrary, introduced a whole series of additional proposals to ban cruise missiles of range greater than 600 km on aircraft other than heavy bombers, on surface ships and on submarines, and to ban intercontinental land-based cruise missiles, none of which were mentioned in the Vladivostok aide memoire. These proposals would have eliminated important U.S. cruise missile options while imposing no constraints on the hundreds of Soviet cruise missiles already deployed on submarines, surface ships and aircraft.

Then, in January of last year, the Soviets suddenly explained that the ban on intercontinental land-based cruise missiles was meant to cover all missiles of ranges greater than 600 km. Once again the Soviets were attempting to foreclose important improvements in the posture of U.S. and NATO forces in Europe, even though there would be no SALT limits on the hundreds of Soviet medium and intermediate-range ballistic missiles with ranges up to 5500 kilometers.

In developing the propulsion and guidance systems technology for advanced cruise missiles, the United States has achieved a significant--and I believe sustainable--lead. What is striking about the previous administration's apparent willingness to accept severe cruise missile constraints is how little the Soviets seemed prepared to offer in return. With respect to Europe, for example, the agreement would have done nothing to constrain the proliferation of nuclear and conventional systems deployed by the Soviet Union. The Soviets would be free to deploy both the Backfire and the MIRVed SS-20 in unlimited numbers, increasing the already considerable threat to the survivability of U.S. and allied theater forces. The 600 km range limit would have permitted the Soviets to continue their present deployments of hundreds of air- and sea-based cruise missiles, and to develop further this technology for theater application in Europe--where most targets are easily accessible with missiles of 600 km range.

(2) Perhaps equally important, such an agreement would foreclose important options for maintaining the security and effectiveness of our nuclear deterrent forces. In particular, it would:

a) Reduce the ability of our existing bomber force to penetrate the large, growing and unconstrained Soviet air defense system, by seriously constraining--and perhaps effectively banning--air-launched cruise missiles (ALCM's) on heavy bombers.

b) Contribute to the growing and destabilizing vulnerability of our land-based ICBM force by banning the deployment of less vulnerable land-mobile ICBM's.

It would also eliminate possible future uses of land- and sea-based cruise missiles to reduce costs or vulnerabilities of strategic forces. (However, such options seem less important than the theater roles of cruise missiles discussed above.)

Such limits on our own freedom of action could only be justified if the agreement correspondingly limited the Soviet threat to our deterrent forces, but the proposed agreement would do nothing of the kind. It would not constrain Soviet air defenses and in fact by curtailing our freedom to deploy ALCM's, it would enhance the value to the Soviets of improvements in their air defense systems. It would do nothing to limit the developing Soviet capability to destroy our own land-based missile force. Even with significant reductions in the ceiling of strategic delivery vehicles such an agreement would fail to alleviate that threat, because it continues a 300 to 54 Soviet advantage in modern "heavy" missiles and because it acquiesces in the Soviet insistence that their new, large MIRVed SS-19 be defined as a "light" missile.

Our complete failure to place meaningful constraints on the growth of Soviet missile throw-weight is a striking illustration of how easy it is to lose sight of fundamentals while tinkering with options. Originally in SALT I the U.S. position was that there was no reason to concede an asymmetrical advantage in heavy ICBM's. Either the Soviets should dismantle theirs or we should have the option to build a like number. After months of negotiating, we conceded this point to the Soviets, rationalizing it as being preferable to no agreement. As a result, they are permitted more than three hundred heavy missiles while we are permitted none, nor is there any pressure on them to reduce these especially dangerous weapons. The grounds for this concession were unsound at the time and have not grown more sound since. But as time goes by we seem increasingly inclined to ignore our mistakes rather than to re-examine them. We have now compounded the original asymmetry in "heavy" missiles by our subsequent capitulation on the definition of "light" missiles, a capitulation incidentally which I believe we need not consider final.

(3) Among the most serious criticisms of the agreement which the Soviets would like us to sign is that it could not be adequately verified, and

would thus compromise a long standing and prudent insistence that we not enter into unverifiable agreements.

While many provisions of the proposed agreement raise serious verification problems--including the largely nominal limits on Backfire, the exemption of mobile IRBM launchers, and the limit of 1320 MIRV launchers--most of these problems are small compared to those associated with proposed limits on cruise missile range. Currently deployed types of Soviet cruise missiles have, in fact, already been tested to ranges somewhat in excess of the 600 kilometer limit which the Soviets have proposed. More important, with entirely unobservable modifications, many Soviet cruise missiles could fly 2,000 to 3,000 kilometers, or even farther. Replacing the very large warheads on Soviet ALCM's and SLCM's with lighter and smaller ones, for example, and using the extra space for fuel, could increase their range several-fold. So could changes in flight profile.

Like a manned airplane, cruise missiles which have been fully tested at 600 kilometers, could be flown much farther with very high confidence. A few longer range tests, if deemed necessary, could easily be hidden. In fact, we probably fail to detect a significant number of Soviet cruise missile tests, or at least fail to measure their flight distance, even with current practices. It should be observed that the possibility of an unverifiable increase in the range of the Soviet cruise missiles is no small matter. They have many and can have many more.

The apparent unwillingness of many who are responsible for shaping our SALT policy to face up to the seriousness of these problems is part of a broader pattern of the relaxation of verification standards in the face of pressures to reach agreement. If we hope to have more meaningful arms control in the future that can truly enhance national and global security, we must reverse this trend. We must strengthen, not relax, our verification standards, and we must ultimately insist on greater openness in Soviet society and in their military programs if the more ambitious goals you have outlined are ever to be realized.

First, this means we must arrest the tendency of our standards of verification to decline as negotiations continue. We simply get worn down. The assumptions that have to be made in order to believe that one or another provision is verifiable increase in number and tenuousness as time goes on and patience wears thin. Pressed to come up with means of verifying the inherently unverifiable, there is a tendency to rationalize, to turn to increasingly low confidence indicators, and to assume that the Soviets will not alter their standard practices so as to conceal surreptitious production, testing or deployment.

A case in point is the history of the previous administration's approach to the verification of MIRV limitations, an approach which became progressively more nonchalant until the argument began to emerge that it really doesn't much matter whether the 1320 ceiling is verifiable, "since it is of little or no military significance."

Second, we must resist the increasingly insistent Soviet demand for concessions from the United States in exchange for agreed measures essential to verification. Any agreement is presumed to be in the interests of both sides. There is no reason why we should make substantive concessions in order to extract from the Soviets rules of verification that are fundamental prerequisites to an agreement.

In the negotiations subsequent to Vladivostok, the Soviets have attempted to link measures necessary for MIRV verification to American concessions on cruise missiles. Linkage of this nature should be summarily rejected. If we pay for verification with the coin of national security, we will soon run out of means of payment, and the American people will run out of patience with the arms control process.

Third, it is essential to understand that even a perfect capability to verify compliance means little if we lack the means to redress the results of a violation; or if, as is often the case, the costs of taking corrective action are thought to be so high that we are deterred from doing so. In that event, our only recourse may be acquiescence, with all that implies for confidence in the agreement, our security interests and our national resolve.

The previous administration failed to respond to several Soviet moves to exploit loopholes in the SALT I agreement--not because those moves were without harmful consequences, but because the consequences of our responding were themselves deemed harmful. Thus I find unpersuasive the argument that while verification is uncertain, the Soviets would not risk the consequences of getting caught in a violation.

Not the least of the costs associated with reacting to a Soviet violation are political in nature. No administration is likely to welcome the controversy that would flow from Soviet violations of an agreement that it had negotiated. Thus it was not surprising that the previous administration became a virtual apologist for Soviet actions that clearly violated assurances that had been given to the Congress as to what the Soviets could and could not do under the constraints of the SALT I interim agreement.

Agreement to the kind of terms the Soviets have proposed would violate most of the other criteria for a sound agreement, in addition to these three fundamental ones. It would:

Encourage the abandonment of research and development on those systems whose deployment it constrains, like cruise missiles, or bans, like mobile ICBM's.

On this point the fate of the U.S. program for R&D on ABM systems following the ABM agreement is instructive: The considerable lead that the U.S. maintained in ABM research at the time of the 1972 agreement has declined steadily since. While the Soviets have maintained and indeed expanded their ABM research with a view to closing the 1972 gap, we have reduced ours. The lesson is clear: if a weapon system is banned or constrained to the point of inutility, the Congress can be expected to curtail sharply vital research and development despite the dim prospect that the Soviets will show comparable restraint.

Leave the United States vulnerable to the rapid acquisition of a significant Soviet advantage if the agreement is abrogated or violated.

The problem posed by the Soviet potential rapidly to enhance their capabilities beyond treaty boundaries is related to but distinct from the more general problem of verification during the period that a treaty is in force. There are a number of ways in which the Soviet proposal fails on this criterion, but three are of particular significance. First, under that proposal the Soviet SS-20 would be left unconstrained. But mobile launchers for the SS-20 could easily be employed to launch the intercontinental SS-16, which as you know utilizes the same first two stages as the SS-20. By stockpiling SS-16's or even just by stockpiling additional third stages, the Soviets could legally prepare for rapid and massive abrogation of treaty limits. Similar problems would exist if the United States were content to limit the Backfire by obtaining from the Soviets a pledge not to deploy them at Arctic bases or with "dedicated" tankers capable of extending its range by aerial refueling. The effect of either restriction could disappear in a matter of days, if not hours, in the event of a treaty abrogation or actual hostilities. (In any case, Backfire can attack the U.S. on one-way missions and land in neutral and friendly countries, e.g. Cuba. Most of our bombers are in fact programmed for this type of "one-way" mission.) Finally, cruise missile range limits, apart from their unverifiability, are equally vulnerable to rapid breakout.

Channel the growth of Soviet military capabilities into theater weapons with a consequent worsening of the posture of our allies.

By excluding the Backfire and SS-20 from the Vladivostok ceiling we would, whatever their present plans for these weapons, virtually invite the Soviets to concentrate their effort on the further deployment of these and similarly unconstrained systems. This deflection of Soviet energies has not been lost on more thoughtful analysts in allied countries--nor, for that matter, on the Chinese, who view with alarm the tendency of some SALT proposals to worsen their already tenuous position vis-a-vis the Soviet Union. That the Europeans are not now more concerned than they are is more a reflection of forbearance growing out of utter dependency on our commitment and what they hope is our wisdom. It is predictable that in time, should we propose agreements which appear to protect our security at the expense of theirs, we shall place unbearable strain on an alliance which, after all, serves our purposes as much as theirs. The Chinese, who regard detente as a Soviet ruse to lull the West into complacency about the growth of Soviet military capabilities, are sensitive in the extreme to indications that we might purchase constraints on Soviet central systems at the price of actually promoting the deployment of Soviet weapons against them.

I stress the impact of a possible SALT agreement on the PRC-USSR balance because I am concerned that the Chinese could find themselves driven into a disadvantageous accommodation with the Soviets that they do not desire and that we ought not to encourage. Because I believe that the triangular balance between China, the Soviet Union and the United States is, for the foreseeable future, important to our security, I would urge careful study of the implications for that relationship of SALT agreements that encourage the Soviets to press further their already considerable advantage with respect to China, or which lead to Chinese questioning of U.S. resolve and staying power.

The Soviet proposals adversely affect our European allies in yet another important respect. The Soviets have throughout SALT insisted on provisions that they argue are necessary to prevent "circumvention" of the agreement by precluding the transfer by the United States to its allies of systems included within the agreement. The acceptance of severe constraints on the deployment of cruise missiles would, with the addition of so-called "non-transfer" provisions, prevent us from making important cruise missile technology available to our NATO allies. (The allies have, in fact, expressed mounting interest in cruise missiles, despite our reluctance to share information with them about this new technology. This awakening on their part is likely to parallel or even exceed our own.)

Confer and legitimize an impression of Soviet superiority that could be exploited to our political disadvantage.

With the right hand we negotiated, at Vladivostok, an equality implied by the common aggregate ceiling of 2400 strategic delivery vehicles. With the left hand the Soviets sought, and the previous administration came perilously close to granting, an agreement that would in effect raise the ceiling on the Soviet side while holding the United States at 2400. The exclusion of Backfire and the SS-20 is simply too fundamental to be dismissed as a peripheral issue arising from semantic differences over the terms "strategic" and "non-strategic." The addition of several hundred Backfire bombers and several hundred SS-20 launchers (with several missiles per launcher) to the Soviet force of 2400 ICBM's, SLBM's and Bear and Bison aircraft would have neither the appearance nor the reality of equality.

These inequalities would be in addition to the continuation in the SALT II agreements of the unequal freeze on heavy missiles of the SALT I Interim Agreement. This, like other inequalities of the Interim Agreement, was justified by one administration spokesman after another assuring Congress that inferior Soviet technology--particularly their lack of MIRV's--would not permit them to gain actual advantages from these unequal rights during the five-year period of the agreement. This and similar arguments now require hard scrutiny. Extending such inequalities into a long-term agreement, when the Russians have already acquired and continue to improve MIRV technology, will convert legally permissible inequality into actually achieved inequality.

It was this aspect of the SALT I Interim Agreement that prompted the inclusion in the Congressional authorization for it of my amendment calling on the President to insist on a SALT II treaty that, "inter alia, would not limit the U.S. to levels of intercontinental strategic forces inferior to the limits provided for the Soviet Union." This legislation was and remains the only seriously deliberated Congressional judgment on the SALT I agreement and the only serious guidance to the President for the conduct of SALT II. Its passage, first in the Senate and then in the House, followed several weeks of debate and repeated attempts to weaken or defeat it. The point is simply that, despite the effort to paper over inequalities, an unequal agreement is certain to be seen for what it is.

In my judgment, an agreement early in a new administration that deepens the gathering sense of Soviet superiority would have serious and far-reaching political consequences at home and abroad. It would encourage the worst tendencies of the Soviets--which are seldom far beneath the surface of their conduct--to seek primacy in areas of the world where smaller and weaker nations look to the United States as the ultimate counter-weight to the Soviet Union. It would accelerate, within NATO, centrifugal forces that have, until now, been slowed more by European dependence on American economic policies than by the sense of mutual security the alliance is intended to foster.

The Soviets understand only too well the essentially unitary nature of the global military balance, and its political significance. Neat distinctions between tactical and strategic, conventional and nuclear, long and short range, obscure as much as they illuminate. Soviet objectives have, from the beginning, included the use of SALT to affect adversely the military strength and political cohesion of NATO. Thus their definition of the term "strategic" is admirably calculated to subject much of NATO's theater capability to SALT limitations while freeing them to expand the theater capability of the Warsaw Pact.

I do not suggest that a SALT agreement which aggravated the already large and growing Soviet military threat in Europe would greatly increase the likelihood of an actual Soviet attack. I do fear, however, that it will result in increasing Soviet political pressure on us and our allies. This in turn will precipitate crises, and manifest military inferiority in a crisis increases the pressure for political capitulation. This is precisely what the Soviet buildup seems designed to bring about.

An unbalanced agreement would, in a final irony, encourage the proliferation of nuclear weapons among countries that do not now have them and that until now have contented themselves with a place under our nuclear umbrella. On this latter point there is great confusion in the community of arms control experts, many of whom hoped an agreement based on the Soviet proposals might discourage the acquisition of nuclear weapons by additional countries. The likely result would be quite the opposite. It is no accident that many of the potential new members of the nuclear club are countries that have depended on the United States and whose apprehensions have mounted along with the growth of Soviet strategic (and conventional) forces and the apparent weakening of American alliance guarantees. They will not be reassured by the reflection of U.S. resolve contained in an unequal SALT agreement.

Alter the terms of competition in a
direction adverse to the United States.

It is highly likely that this type of SALT agreement would encourage the further deployment by the Soviets of those "grey area" systems like the Backfire and SS-20 which, whatever their capacity to attack targets in the United States, gravely threaten our conventional (and tactical nuclear) capability to deter regional conflict, particularly in Europe. Maintaining an adequate NATO conventional capability is difficult and costly. The budgets involved are large, and as manpower costs have risen they have grown larger. Moreover,

Soviet forces have improved greatly in recent years with the introduction of sophisticated tactical aircraft and air defenses, large numbers of tanks and mechanized infantry and new tactical nuclear weapons. Our own deployed forces are highly vulnerable to attack; our tactical nuclear forces especially are vulnerable to Soviet MRBM's and IRBM's, particularly now the SS-20. With virtually no warning we could lose a high percentage of our theater nuclear weapons and the airfields and storage sites from which they can be deployed.

A SALT II agreement that intensified the NATO-Warsaw Pact competition--as distinct from the U.S.-USSR competition in central systems--would force us to do more of the things that we find most difficult and costly while, for the Soviets, the reverse is true. The problem is compounded if an option for theater defense as promising as the cruise missile is severely constrained.

Can a Bad Agreement Be Good Politics?

A prominent relic of the previous administration's thinking about SALT is the argument that SALT is essentially "Political," and that, therefore, even a militarily bad agreement may be a politically valuable one. My own view is quite the contrary. Just as I believe that a doubtful agreement is bad politics at home, so I believe that it is bad politics abroad.

The previous administration never quite made up its mind whether SALT agreements were necessary to promote detente or detente was necessary to promote SALT. It held both views according to momentary convenience--and sometimes simultaneously. More frequently than not, however, detente was held to be the hidden asset in a balance sheet whose military account was deep in red ink.

Unlike us, the Soviets do not draw sharp distinctions between the military and the political. Even from a bureaucratic point of view the central responsibility for SALT on the Soviet side is lodged with the military who, along with their civilian counterparts, believe that military strength is a precondition of, and essential to, the exercise of political influence. Thus the Soviets regard concessions made by us at SALT not as an indication of generosity requiring reciprocity in the political sphere but as little more than the inevitable result of American weakness. Their literature is replete with analyses of SALT that attribute our willingness to accept Soviet demands to the increasing power of the Soviet Union--the changing "correlation of forces," as they put it.

Events like the Yom Kippur War, the Soviet-backed subversion of Angola and the crackdown on political dissidents have done much to make clear the limits of detente. What now needs to be said is that, whatever else they may do, unsound SALT agreements will not encourage the Soviets to moderate their political behavior; and, to the extent that those agreements confer military advantages, the Soviets are more likely than not to exploit that strength in support of their political objectives.

The confusion about SALT and detente fosters the notion that movement toward a SALT agreement is a reflection of overall soundness in the Soviet-American relationship. Thus when SALT is deadlocked (as any negotiation will sometimes be) detente is regarded as ailing; and from this view, a narrowing of differences over SALT suggests recuperation or even good health. This notion misses the central point: the real test of detente is not whether we are closer to or further from an agreement on SALT. Rather it is whether the Soviets are willing or unwilling to accept serious restraints on their growing military force. "Progress" toward an agreement that fails on this measure is hardly the basis for a positive prognosis for detente.

III. NEAR-TERM FOLLOW-ON TO THE SALT I INTERIM AGREEMENT

Within the Vladivostok framework only very modest achievements are possible. It is not possible to get a treaty which positively contributes to U.S. security--one that reduces our dependence on nuclear weapons or significantly lessens the need for modernization and adjustment of our strategic forces. However, it is possible, if we are very careful on a number of key points, to conclude an agreement based on Vladivostok which could serve as an interim measure, until a more satisfactory agreement is achieved, without causing serious harm to U.S. or allied security. To do so it is necessary to wipe the slate clean of many unwise and hasty concessions offered by the previous administration. These must include the following:

** Above all, there must be no constraints on U.S. or allied options for deploying cruise missiles, as a means of strengthening our theater nuclear and, most importantly, our conventional posture, in the face of growing Soviet theater nuclear and conventional capabilities.

** There must be no constraints on U.S. options to modernize our bomber and missile forces in the face of unconstrained Soviet threats to those forces. In particular there must be no limitations on the deployment of ALCM's on U.S. heavy bombers as a means of penetrating unconstrained Soviet air defenses.

** There must be freedom to deploy mobile missiles. If possible, this should be arranged in a manner which makes the deployment adequately verifiable. If necessary we should supplement national technical means with additional verification measures such as on-site inspection. But if adequate verification cannot be arranged, we should not attempt in the agreement nominally to limit mobile missiles.

** The agreement should not establish a permanent Soviet advantage in heavy missiles by carrying over unchanged the 1972 freeze on heavy missiles. The precedent could be established that reductions will come first from heavy missiles, so that this Soviet advantage will disappear early in the process of strategic force reductions. Alternatively, (and less satisfactorily) the U.S. must have symmetric rights to deploy heavy missiles if we should find it necessary to maintain a satisfactory balance.*

** The definition of a heavy missile must be made such that the Soviet SS-19 is not considered "light." The purpose of this is much more than merely the need for consistency with the U.S. position stated at the time of the SALT I Interim Agreement. It is a fundamental requirement if we ever hope to limit the offensive capability of individual launchers in a manner that could contribute to overall stability. It should be made clear to the Russians that failure to make this (admittedly) substantial change could result in U.S. deployment of a "light" M-X of equal if not superior offensive capability. Such a "matching" deployment by us of these pseudo-"light" ICBM's would be much less satisfactory than their elimination by the Soviets. Incidentally, in proposing this limitation we would be constraining our own capabilities as much, if not more, than Soviet ones.

** There must be no linkage between measures required for adequate verification of SALT limitations and substantive U.S. concessions on wholly unrelated substantive matters. In particular, if the agreement is to have limits on MIRVed launchers, which after all constrain us more than the Soviets, the U.S. should not have to pay for verifying these limits with unverifiable and one-sided limitations on cruise missiles.

** There must be timely and adequate consultation with our allies on all measures, such as cruise missile limitations, which affect their interests, especially any possible limitations on the transfer of U.S. systems or technology. The purpose of this consultation should not be to rush hasty proposals past ill-informed allied spokesmen, but rather to have serious discussions of our mutual security requirements.

*This is important principally to preserve our leverage with respect to SALT III. I am not proposing that we actually undertake to build such a system.

** Launchers like the SS-20, which are capable of launching ICBM's, must count in the SALT limits.

** Finally, the agreement must not grant the Soviet contention that the Backfire is not a heavy bomber. Given the actual capabilities of this aircraft, such a concession would undermine the fundamental claim of Vladivostok to have established a balance based on equal aggregates, and this omission would become particularly serious in the future, if, as we hope, it is possible to achieve deep reductions in the aggregate totals. It would also set a precedent prejudicial to the treatment of future Soviet large bombers and open the way to wholesale evasion of SALT limitations on heavy bombers.

I am aware that this change, more than any other, goes against what the Soviets have been led to expect we would concede. Even though we have never formally accepted exclusion of the Backfire from the agreement, Kissinger told the press in widely-publicized backgrounders, only days after Vladivostok, that Backfire would be excluded from the aggregate. He and others have said that the Soviets would never have accepted equal aggregate limits if Backfire deployments had to come out of their total. In effect, he seems to say, the Soviets would never have accepted equal aggregates if they were really equal.

Nevertheless, it may be impossible to get the Soviets to accept the consequences of a firm U.S. position on this issue before the present Interim Agreement expires. While I do not believe that expiration of that agreement would have alarming consequences, it is also obvious that there will be no limitations on Backfire deployment in the absence of an agreement. Therefore I believe it would be defensible to replace the present Interim Agreement by a new interim accord, which would at least codify the basic numerical equality and the MIRV limitations of Vladivostok, as long as it were made clear that this accord would be replaced within a relatively short period of time by a more satisfactory resolution of the bomber and throw-weight issues.

Our intention to achieve such a resolution should be buttressed by serious study of the possible utility to the U.S. of building a large bomber similar to the Backfire, or a "stand-off" bomber (using long-range air launched missiles) unconstrained in numbers by SALT as the Backfire. We need not and should not imitate Soviet deployments in detail but must make sure we are no more constrained by agreement than they. We should in no way indicate that we would consider vague, unverifiable or easily abrogated limitations on Backfire basing, training or employment patterns as an adequate resolution of this problem.

** It would be desirable if, in addition to the above provisions, an agreement were to provide for immediate reductions. However, the reductions that would be possible in the present context could only be symbolic ones. The reduction of even a few hundred older, unMIRVed Soviet systems will offset only a small fraction of the growth in Soviet capability resulting from their modernization program, paced by the deployment of "heavy" SS-18's and "light" SS-19's and would have no impact at all on the threat to our land-based ICBM force. The reduction of a hundred or more older Soviet Bear and Bison bombers will be empty symbolism if they are simply replaced by more Backfires.

Warmly as I would welcome early reductions they should not be purchased with one-sided and substantive U.S. concessions on other issues. They must not be permitted to mislead the American people about how much has actually been accomplished, or how much remains to be done.

Reshaping the U.S. position to take account of the points raised here would not be easy. While none of these considerations are really new ones, they are sufficiently far from the recent negotiating framework as to require fairly extensive staff work on matters of detail. If you are interested in considering the general outline I have sketched here in more detail, I would be pleased to elaborate these ideas more fully in a further memorandum.

IV. NEGOTIATING TACTICS

From the outset, the Soviets have tabled SALT proposals aimed at enhancing their military programs while slowing or halting ours. The United States, by contrast, has tended to table proposals designed at best to constrain both sides equally. Their denials notwithstanding, the Soviets have consistently sought unilateral advantages. We have not. Thus the Soviets have attempted to limit U.S. forward-based aircraft deployed in Europe for the defense of NATO without limiting the hundreds of Soviet medium bombers--and now the much more capable Backfire as well--which threaten NATO and our forces in Europe. They have insisted on limiting bombers, which are an important element of our deterrent, but are unwilling to limit bomber defenses, which are an important part of theirs. Where the issue was missile defenses, in which we were ahead, the Soviets responded to U.S. proposals to limit offenses by stressing the inseparability of offense and defense. Where the issue is air defenses, in which they are ahead, offense and defense at once become separable and there is no discussion of the latter. The Soviets urge restraint, which cannot be verified, but resist serious reductions in strategic forces which can. The Soviets argue that the SLBM's of Britain and France should be counted while the Soviet weapons aimed at France and Britain should not. They

have suggested that the B-1 bomber should count as three delivery vehicles while arguing that the Backfire should not count at all. In these and other ways they give substance to the classic caricature of the Soviet approach to bargaining: what's mine is mine and what's yours is negotiable.

There is nothing surprising in this. What is surprising is how naive and unresponsive our own negotiating tactics have been. For far from tabling proposals as self-interested on our side as the Soviet proposals are on theirs, we have tended to offer the Soviets fair, equitable and balanced proposals in which constraints on their programs are carefully matched with constraints on our own. In practice this approach has meant that, unlike the Soviets, we have had very little negotiating room. As a result, concessions on our side, inevitable in any negotiation, have required real sacrifices of our security interests while the Soviets have been able to limit their concessions to the modification of inflated and unreasonable demands. One is reminded of the retail sales practice of offering a seemingly generous discount on an overpriced item so as to lead the buyer to believe that he has gotten a bargain.

Often our screening of options with a view to offering the Soviets only those that we think are "negotiable" has led to the exclusion of sensible U.S. proposals. The question of Soviet air defenses is a case in point. At no time have we tried to constrain Soviet bomber defenses even though all their proposals to us since SALT I have included limitations on our bomber force. While the Soviets demand that we severely limit cruise missiles on our bombers (which would enable them partially to overcome Soviet bomber defenses), we recoil from proposing limits on those defenses. Some U.S. officials have gone so far as to argue that it would be "unfair" to ask the Soviets to limit bomber defenses because they have invested such large sums in deploying them. Others have simply argued that because the Soviets would not accept limits on bomber defenses (they are "non-negotiable") we ought not to propose them. But whatever the reason for our decision to do so, the failure to raise the bomber defense issue has meant, at a minimum, that we have that much less to offer in the give-and-take of negotiation.

One could cite a great many other examples of our failure to include reasonable demands on the strength of a priori judgments that they are likely to prove "non-negotiable." The result is that even before we approach the Soviets we have whittled down our proposals to such a degree that the inevitable further concessions involve trading away real security interests.

The fact is, of course, that no one really knows whether any proposal is negotiable until it is offered; and even then judgments will differ as to whether persistence and hard bargaining will eventually alter the Soviet position. Prior to Vladivostok Secretary Kissinger clung tenaciously to the belief that the Soviets would never accept equal aggregates. Indeed, Kissinger resisted even proposing equal aggregates. Only after President Ford overruled his Secretary of State was the proposal made and, in the end, accepted. One can only speculate as to how many other U.S. interests might have been realized had we not screened them for "negotiability" and refrained from putting them forward.

I have dwelt on this point at some length because I regard the single most important shift in our negotiating approach for SALT II and beyond to be an end to the practice of shelving reasonable U.S. positions on the grounds that they are "non-negotiable." If a proposal makes sense, if it meets the criteria discussed earlier, if it is, in short, in our interests, then we ought to make it. Conversely, we should not be unduly grateful when the Soviets make small retreats from unreasonable positions, even if these positions have been long and stubbornly held.

Among the shortcomings of our SALT negotiating tactics, the past practice of modifying our proposals in the face of Soviet intransigence is the most troubling. Thus it is that in 1976 we made five separate offers to the Soviets, each more generous than the last and all in the space of six months. Needless to say our mounting generosity did nothing to encourage similar Soviet behavior. On the contrary, it surely helped to persuade Brezhnev that his tactic of "stonewalling" was the posture most likely to elicit American concessions. Only Soviet greed in the face of a continuing cascade of American concessions led to an interlude within which many of the President's advisors drew the line against still further accommodation. The whole period was marked by an astonishing erosion of the American position to which the Soviet response was a predictable toughening.

We must not allow a repetition of this dangerous and improvident scramble, not only because it will inevitably fail to produce a satisfactory agreement, but because it betrays a fundamental weakness that the Soviets are likely to exploit in other areas as well.

Against this background, I urge you to consider making clear from the outset that U.S. proposals made subsequent to the Vladivostok summit were products of the previous administration and have significance only insofar as they can stand

the test of soundness. Since in the end these proposals were not accepted by the Soviet side, and because they have improvidently diminished our bargaining room, it is essential that the new administration move at once to recapture the concessions offered in that period. If further negotiations were to begin where the Ford-Kissinger negotiations left off you would unnecessarily assume the burden of past mistakes; and the options available to you will be few and narrow.